

# Headquarters on the Move – Benchmarking of Global and Regional Headquarters in Switzerland

Trends in Headquarters Relocations  
and Headquarters Redesign

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- 1 Introduction and Executive Summary**
- 2 Switzerland as a Preferred Headquarters Location
- 3 Trends in Headquarters Design

### Arthur D. Little has updated its widely recognized “Headquarters on the Move”- study in order to examine the latest trends in headquarters relocations and redesign

#### Situation

- Switzerland has established itself as an internationally renowned location for headquarters (HQ) of multinational corporations (MNCs) during the past decades
- Especially due to Switzerland’s outstanding economic stability and tax system, a significant number of international companies choose Switzerland as the base for their global or regional headquarters
- Since 2002 Arthur D. Little monitors regularly the activities of international headquarters relocations to Switzerland

#### Questions

- How have headquarters relocation activities to Switzerland developed over the last years and what are the main factors why headquarters tend to move to Switzerland?
- What are the cantons doing to attract new headquarters?
- What is the impact of the current global economic crisis on headquarters relocation activities?
- How is the structure of headquarters evolving and what kind of restructuring is taking place now and in the near future?

#### Answers

- The update of Arthur D. Little’s benchmarking of global and regional headquarters delivers valuable insights into location selection and headquarters design:
  - Switzerland has improved its overall economic competitiveness in the past years
  - However, headquarters relocations to Switzerland have massively decreased since mid 2008 due to the current global economic crisis
  - The Swiss and cantonal tax systems have become even more attractive and compete with the world’s most attractive countries

### Arthur D. Little surveyed more than 50 companies with headquarters in Switzerland and interviewed all cantonal economic development offices to achieve surprising study results

#### Arthur D. Little's headquarters benchmarking data

Headquarters survey	Cantonal economic development offices	Arthur D. Little headquarters database
<ul style="list-style-type: none"> <li>■ Arthur D. Little benchmarked more than 50 major Swiss and foreign companies with headquarters in Switzerland <sup>1)</sup></li> <li>■ The majority of interviewed headquarters (69%) had between 1 and 10 bn CHF turnover in 2008</li> <li>■ 69% of the companies have their origin outside Switzerland and have moved their headquarters to Switzerland</li> <li>■ 31% of the companies have their historical origin and their headquarters in Switzerland. The majority of the Swiss companies are listed companies (SMI)</li> </ul>	<ul style="list-style-type: none"> <li>■ Arthur D. Little interviewed all cantonal economic development offices regarding their activities in headquarters relocations:                             <ul style="list-style-type: none"> <li>– Measures how to attract foreign headquarters</li> <li>– Privileges and services offered for headquarters relocations</li> <li>– Impact of the current global economic crisis on relocation activities</li> </ul> </li> <li>■ Together with the canton of Zurich and the US-company Ecolab, Arthur D. Little was able to conduct a case study on Ecolab's relocation project</li> </ul>	<ul style="list-style-type: none"> <li>■ Arthur D. Little has set up a database with foreign headquarters in Switzerland</li> <li>■ Together with the cantonal economic development offices, Arthur D. Little gathered quantitative data regarding the characteristics of headquarters</li> <li>■ The database contains information on key company data, such as location, date of relocation, country of origin and industry affiliation</li> </ul>

1) Companies benchmarked either via interviews or, when sufficient secondary information was available, via desk research

**Switzerland is still a very attractive location for headquarters. However, the economic crisis has put a halt on the growth of international headquarters**

### Study highlights at a glance

The current global economic crisis has put a clear halt on the growth of headquarters relocations: in 2009 there will be a significant decrease of headquarters relocations to Switzerland

The canton of Zug is the most preferred location in Switzerland for headquarters

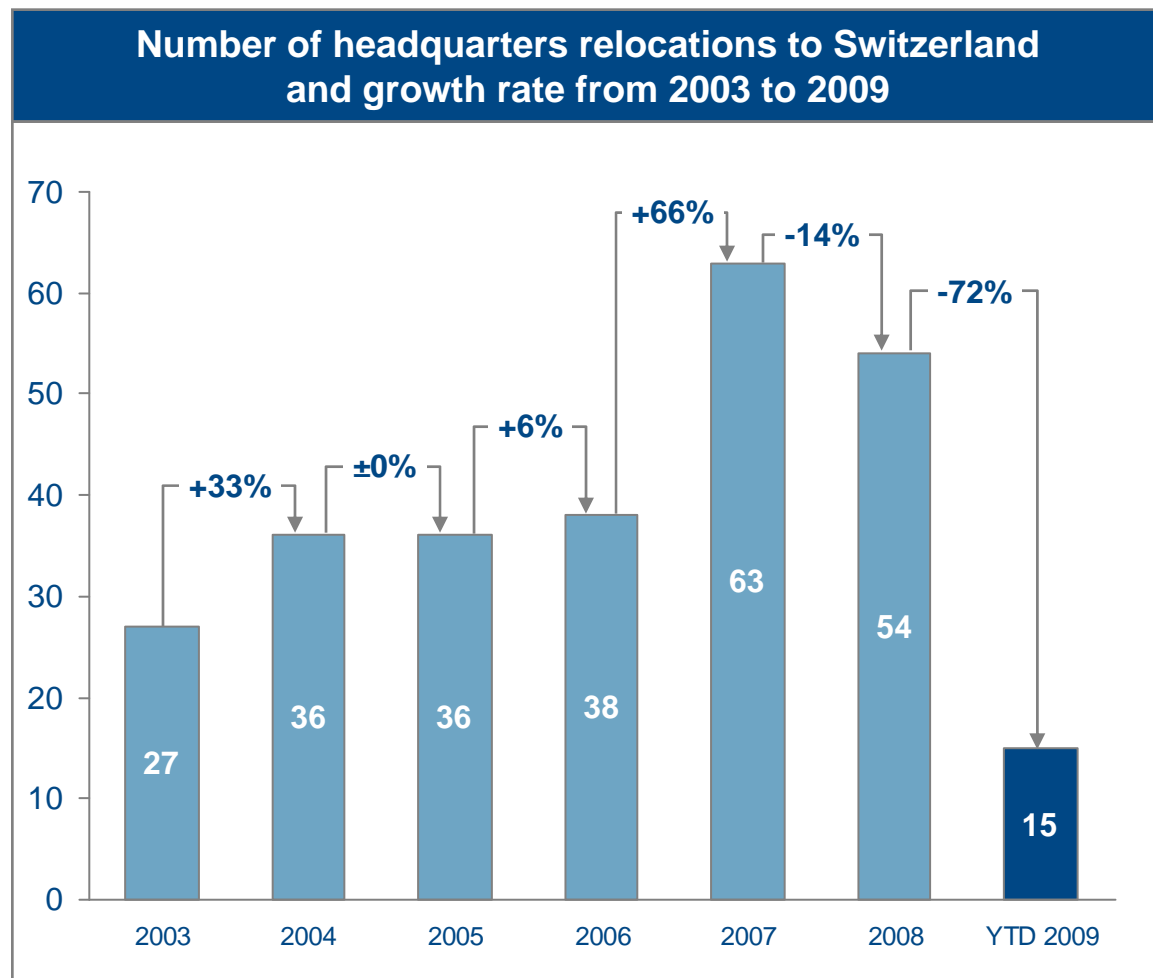
92% of all interviewed headquarters plan to stay in Switzerland. Only major changes (e.g. tax rates or economic environment) will make them leave

However, Switzerland as a preferred location for headquarters has room for improvement, especially regarding labor law flexibility, availability of qualified work force and affordable accommodation

Regarding headquarters redesign, more than 61% of all interviewed Swiss headquarters have already restructured their corporate center, 21% plan to do so in the near future

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The long term trend of international corporations to relocate their headquarters to Switzerland has been halted since mid 2008 due to the current economic downturn



**Comments**

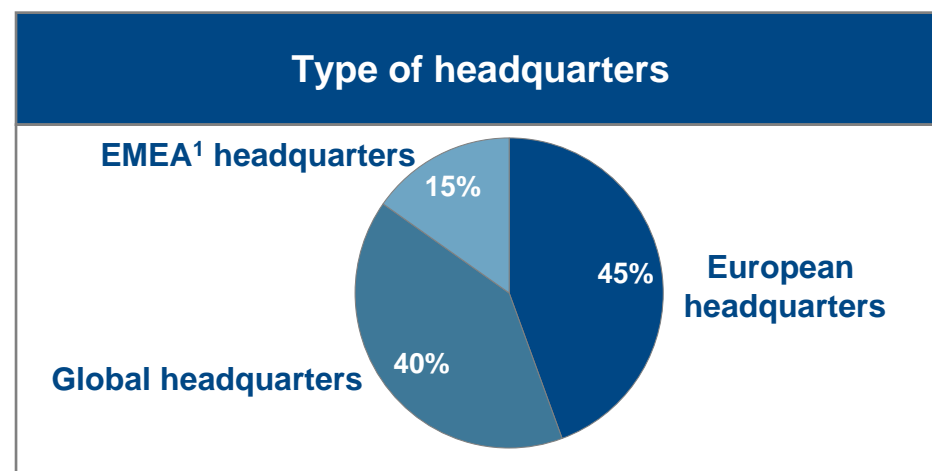
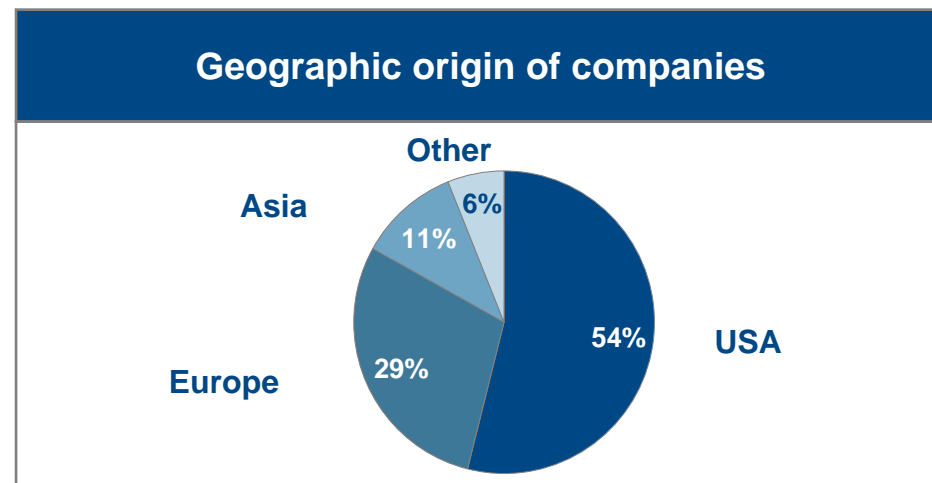
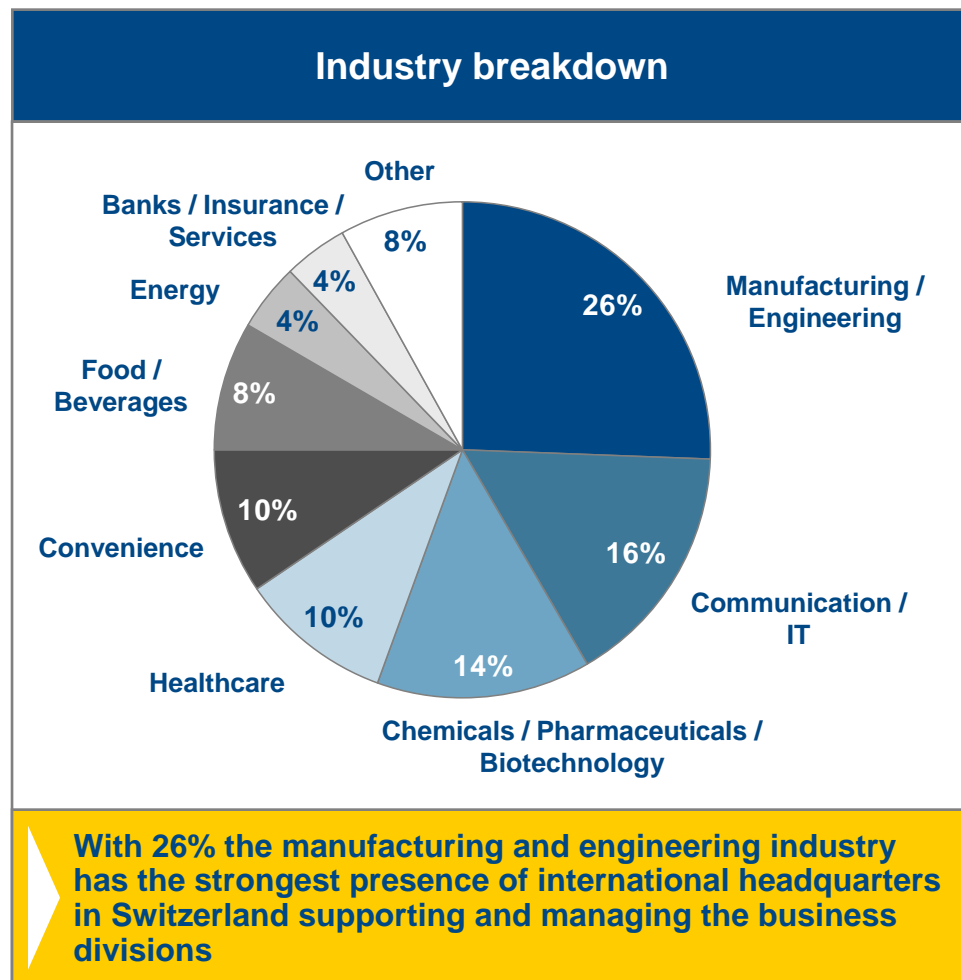
- During the time period 2003 – 2009 a total of 269 headquarters have been transferred from abroad to Switzerland
- Although the recession of 2004 gave a halt to the continuous growth of foreign headquarters in Switzerland, the growth rate accelerated until the beginning of the global economic crisis in mid 2008
- Since mid 2008 we observe a strong decline in numbers of headquarters relocations to Switzerland
- In the first three quarters of 2009, only 15 international headquarters have moved to Switzerland
- However, Arthur D. Little assumes that the growth of international headquarters in Switzerland will continue in the next years

**Due to the difficult economic situation companies are postponing fundamental decisions such as the relocation of their headquarters**

Source: Arthur D. Little headquarters database, cantonal economic development offices

Note: Figures only show moving in of headquarters and do not reflect the diminishment of headquarters due to mergers and acquisitions, insolvency or retransfer into other countries

**Most of the foreign headquarters located in Switzerland have their corporate origin in the USA and operate an European headquarters**



Source: Arthur D. Little headquarters database

1) EMEA = Europe, Middle East and Africa



### Some prominent examples of headquarters relocations to Switzerland

Selection

#### Headquarters with origin in the US



#### Headquarters with origin in Europe



#### Other international headquarters



#### Headquarters with origin in Asia

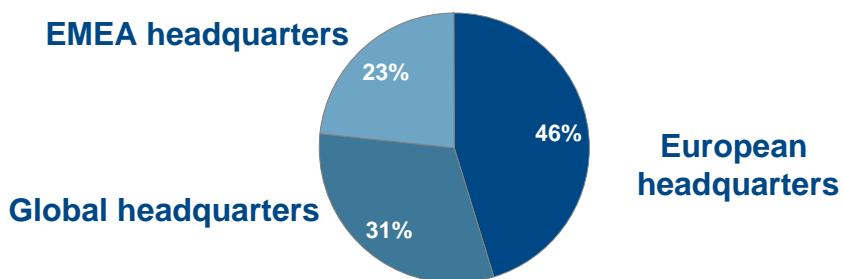


Source: Arthur D. Little headquarters database

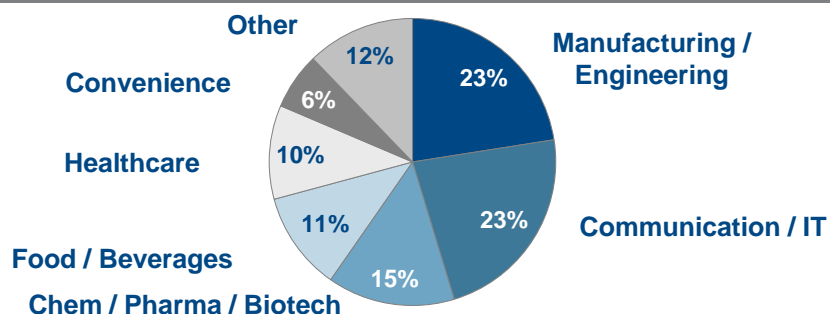
### US companies tend to locate their European headquarters in Switzerland

#### Pattern of headquarters with origin in the US

##### Type of US headquarters in Switzerland



##### Industry breakdown



##### The pattern of US firms that moved their headquarters to Switzerland

- At present, there are **124 US headquarters** in Switzerland
- There is a clear trend of US companies moving their European headquarters to Switzerland
- The US company **Dupont** was one of the very first corporations at all moving its regional headquarters to Switzerland in 1959
- Recent relocations of **global headquarters** of US companies to Switzerland: ACE Limited, Weatherford, Noble Corporation and Transocean
- Recent relocations of **EMEA headquarters** of US companies to Switzerland: Ecolab, Citrix Systems and AGCO Corporation
- Recent relocations of **European headquarters** of US companies to Switzerland: Yahoo!, Eaton and McDonalds

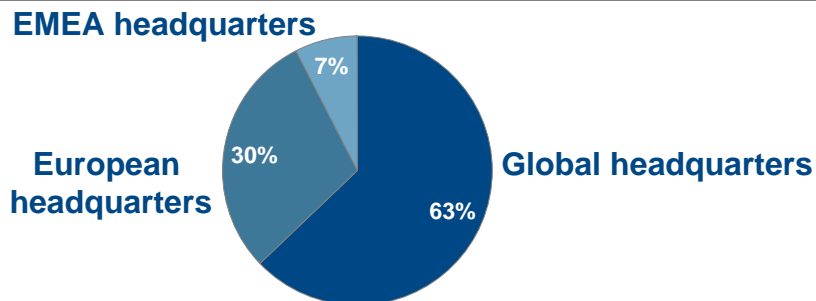
Source: Arthur D. Little headquarters database

Note: Arthur D. Little's headquarters database is non-exhaustive, since some of the cantonal data regarding foreign companies in Switzerland is strictly confidential

### European companies prefer Switzerland as a location for their global headquarters

#### Pattern of headquarters with origin in Europe

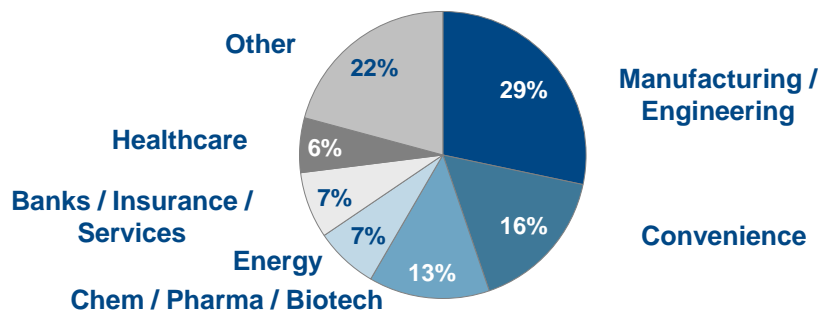
##### Type of European headquarters in Switzerland



##### The pattern of European firms that moved their headquarters to Switzerland

- At present there are **67 European headquarters** in Switzerland<sup>1)</sup>
- **30%** of all headquarters with origin in Europe come from **Germany**
- Since the early 1960s there is a **stable growth of European headquarters** in Switzerland
- Most of European companies **operate a global headquarters** out of Switzerland
- Recent relocations of **global headquarters** of European companies to Switzerland: Schmolz & Bickenback, Krom River and Nycomed
- Recent relocations of **European headquarters** to Switzerland: Cadbury Schweppes, Ferring and ManInvestment

##### Industry breakdown



Source: Arthur D. Little headquarters database

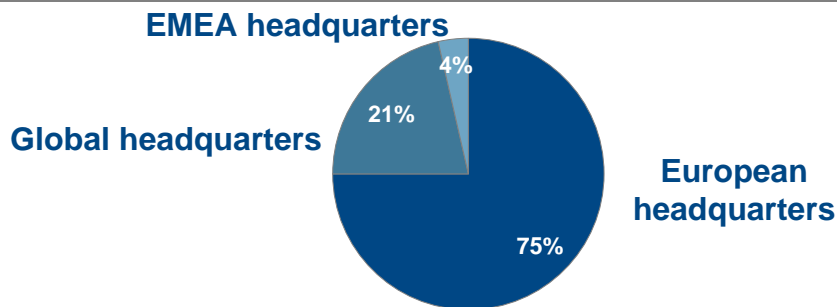
Note: Arthur D. Little's headquarters database is non-exhaustive, since some of the cantonal data regarding foreign companies in Switzerland is strictly confidential

1) Headquarters with Swiss origin are excluded from this number

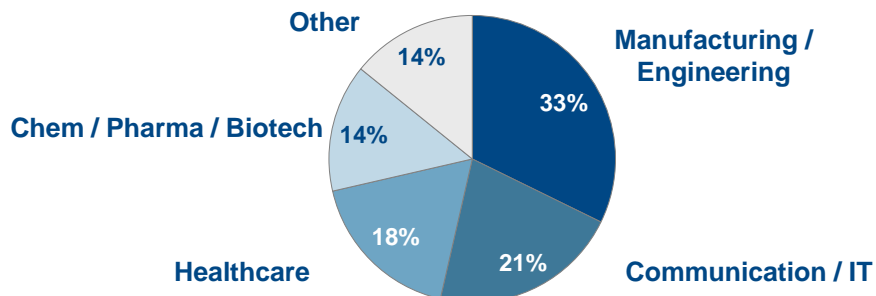
### Asian companies with headquarters in Switzerland predominantly run an European headquarters

#### Pattern of headquarters with origin in Asia

##### Type of Asian headquarters in Switzerland



##### Industry breakdown



##### The pattern of Asian firms that moved their headquarters to Switzerland

- At present there are **28 Asian headquarters** in Switzerland
- **50%** of all Asian headquarters have their origin in **Japan**
- Since 2007 there is a clear trend of Asian companies moving their headquarters to Switzerland. Arthur D. Little expects that this trend will continue, especially regarding the relocation of Chinese headquarters to Switzerland
- Most of the Asian companies **operate an European headquarters** out of Switzerland. Recent relocations are: Nissan International, Agility Logistics and Castec
- Recent relocations of **global headquarters** of Asian companies to Switzerland: Rusal Unified and Kaizen Institute

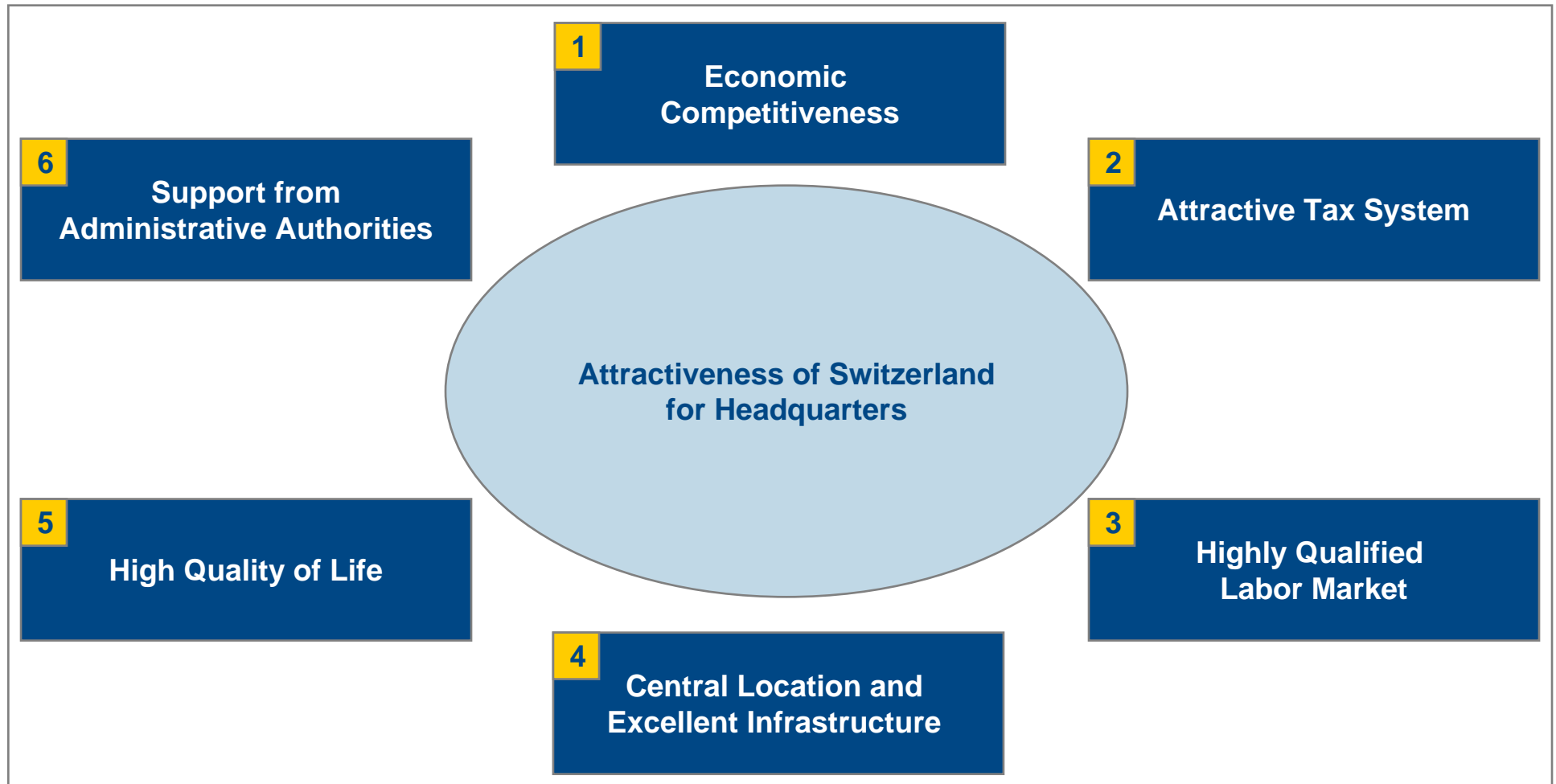
Source: Arthur D. Little headquarters database

Note: Arthur D. Little's headquarters database is non-exhaustive, since some of the cantonal data regarding foreign companies in Switzerland is strictly confidential

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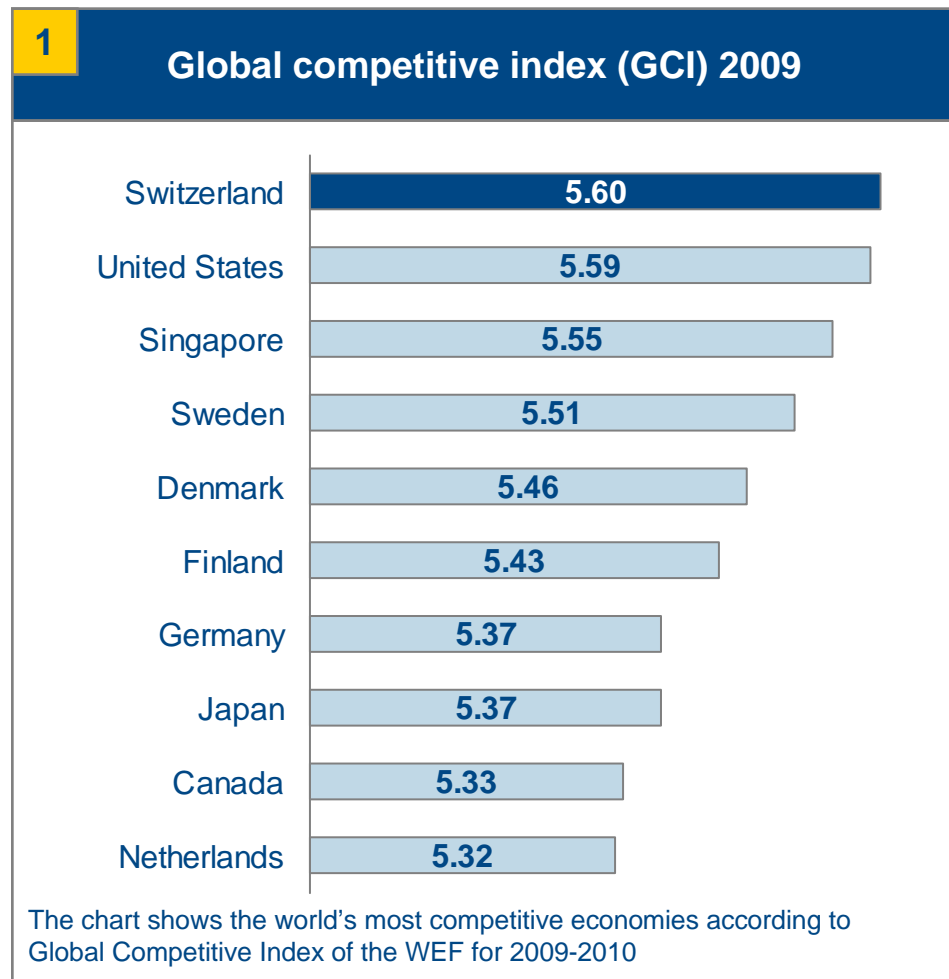
## 2.2 Why relocating the Headquarters to Switzerland – Attractiveness of Switzerland

There are six main factors which stand for the attractiveness of Switzerland as a preferred location for global or regional headquarters



Source: Arthur D. Little analysis

**Compared to other OECD countries Switzerland's economy remains fairly stable and is according to the GCI currently rated as the most competitive country in the world**



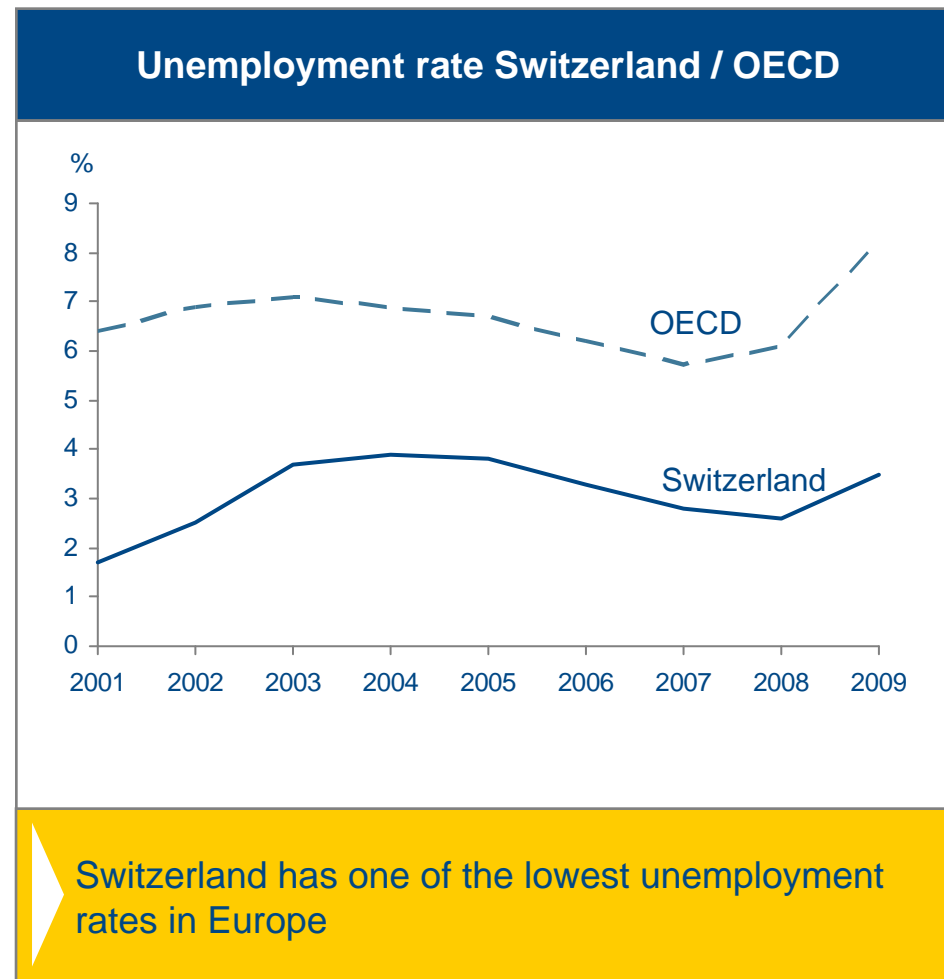
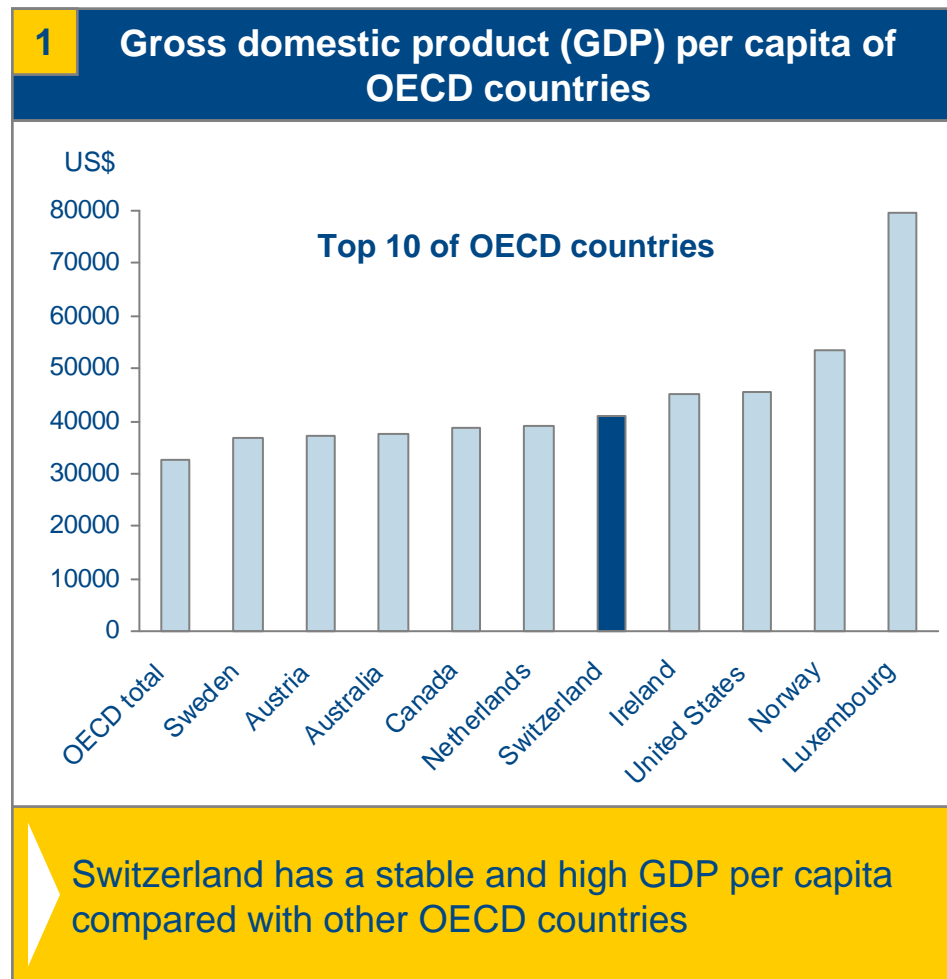
**Switzerland's economic competitiveness**

- In times of crisis Switzerland has taken over the top of the global competitiveness ranking in 2009, according to the WEF-report especially due to its:
  - High capacity for innovation
  - Very sophisticated business culture
  - Highly efficient labor market
  - Switzerland's macroeconomic environment
- Switzerland entered the global economic crisis later than other countries. Forecasts estimate a slight negative GDP growth rate for 2009 with a slow recovery in 2010
- Switzerland's economic, political and financial pillars have remained remarkably stable despite some negative impacts due to the high credit crunch exposure of some Swiss banks

**Switzerland has one of the world's most competitive and stable economy, even though it has been hit by the current global economic crisis**

Source: WEF, The Global Competitiveness Report 2009-2010; SECO; IMD World Competitiveness Yearbook 2009; Arthur D. Little analysis

### Compared with all OECD countries, Switzerland assumes top positions in terms of economic growth and productivity



Source: OECD Factbook 2009; Swiss Federal Statistic Office



**The Swiss tax system is highly attractive for headquarters and is one of the main reasons why Switzerland is a place of interest for international headquarters**

2

### Benefits of the Swiss tax system

#### Tax competition

- The right of taxation is shared among the federal, cantonal and communal level
- Cantons are allowed to define tax rates and exemptions on their own which results in a natural tax competition among all cantons
- Some cantons are significantly below the Swiss average

#### Tax privileges

- For certain business activities, full tax exemptions may apply
- All cantons offer tax privileges which can be obtained through negotiations with the cantonal authorities

#### International tax aspects

- Bilateral conventions with nearly 100 countries prevent international double taxation

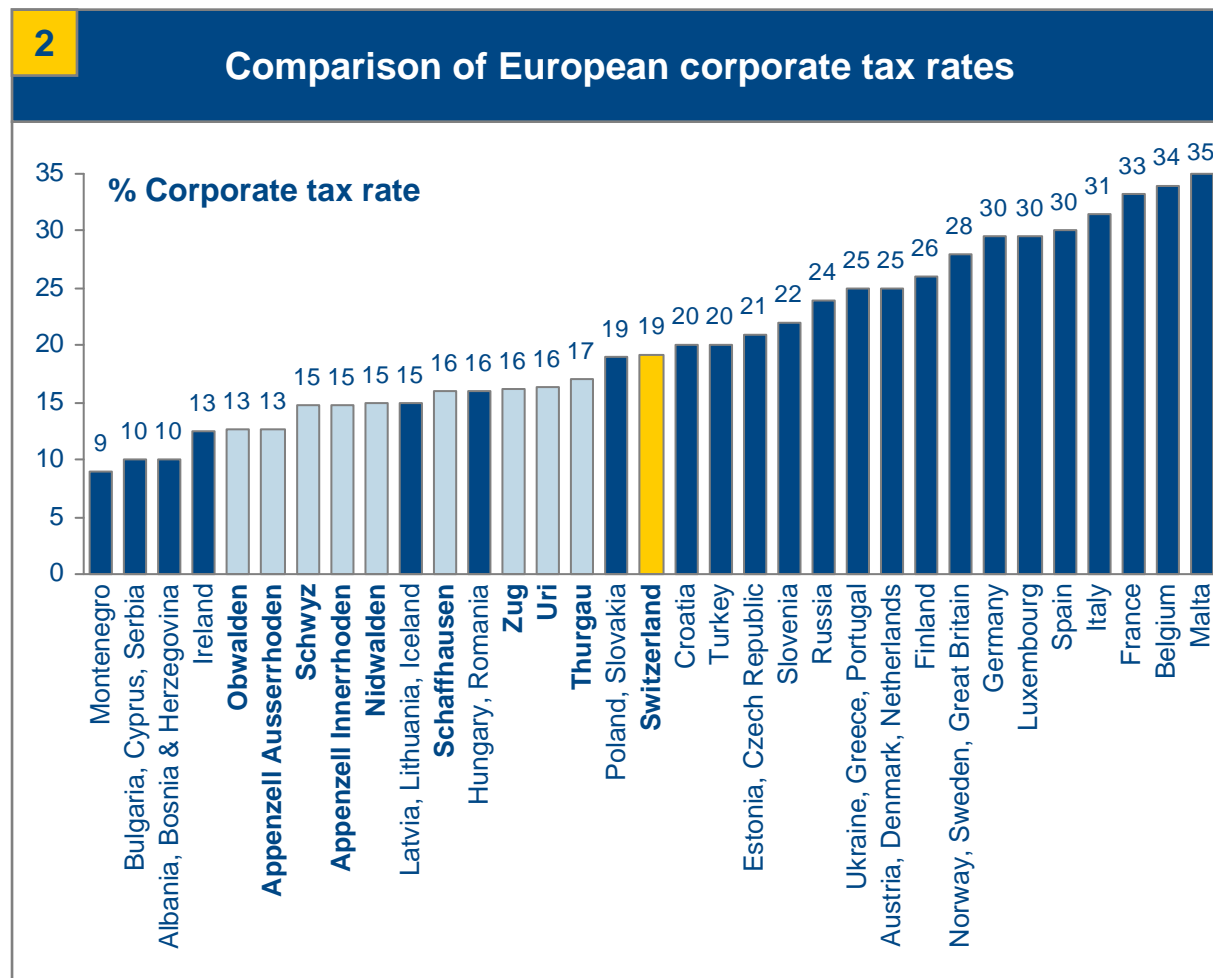
#### VAT

- With 7.6% Switzerland has by far the lowest VAT<sup>1</sup> in Europe

Source: KPMG, Swiss Corporate Income Tax System; OSEC

1) VAT = Value Added Tax

Switzerland's corporate tax rates are highly competitive. Taking cantonal differences into account, Swiss corporate tax rates are amongst the top ten within Europe



**Comments**

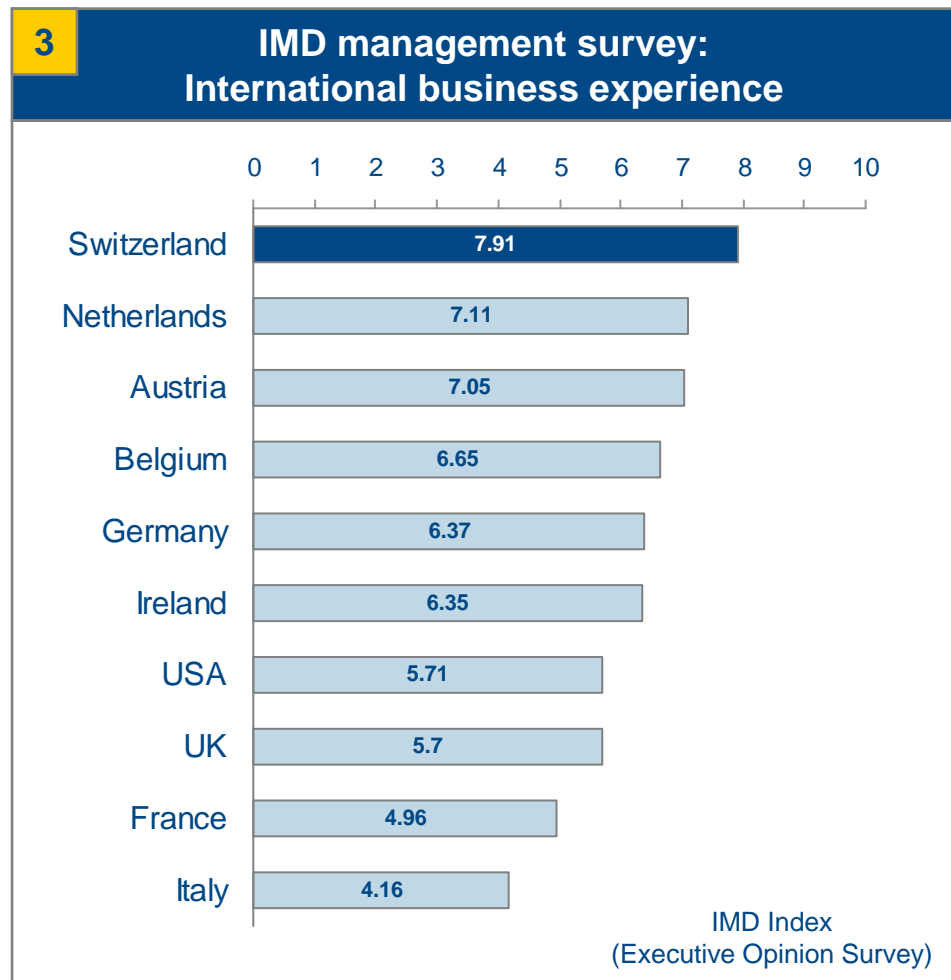
- Compared to European countries, the Swiss corporate tax rate (average of all cantonal tax rates) has always been attractive
- Since each Swiss canton has the sovereignty to define its own tax rates, many of the Swiss cantons are close to the top of Europe's most favorable tax countries such as for example Ireland
- In 2008, the canton of Obwalden had the lowest corporate tax rate with 12.7%

The corporate tax rate is one of the major criteria for headquarters relocation decisions

Source: KPMG 2008; figures rounded

## 2.2 Why relocating the Headquarters to Switzerland – Highly Qualified Labor Market

**Switzerland has the internationally most experienced workforce worldwide. Furthermore, employees are highly motivated and maintain a strong relationship with their employers**



Competitiveness of Swiss labor market	Worldwide
Worker motivation	1st
Cooperation in labor-employer relations	3rd
Skilled labor readily available	3rd
Attractiveness for foreign high-skilled people	2nd
Language skills	2nd
Readily available competent senior managers	2nd
Education	4th

**Switzerland assumes world leading positions in executive surveys regarding the competitiveness of workforce qualification and education**

Source: IMD World Competitiveness Report (2007); WEF, The Global Competitiveness Report 2009-2010; OSEC Business Network Switzerland; DEWS

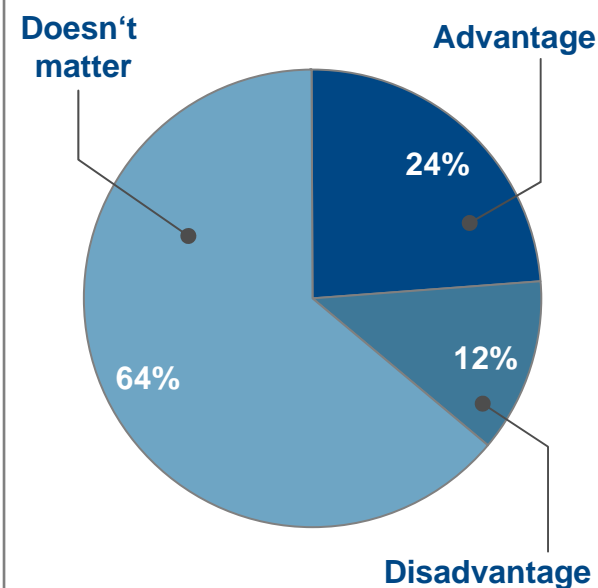
**Located at the heart of Europe, Switzerland is well connected domestically and internationally by road, rail and air. The status as a non-EU member is not seen as a disadvantage**

4

### Central location and excellent infrastructure

- Switzerland has an excellent domestic rail and road network which is seamlessly integrated with the international transport system
- Switzerland's rail network is valued for its extensive coverage, efficiency and reliability and ranked 1<sup>st</sup> worldwide. Its utilization rate is the highest in Europe
- Three major airports act as regional hubs and provide connections to all major European cities – in 2009 Zurich Airport was again voted as best European airport for the sixth year in a row
- High quality housing & office space is affordable compared to the overall purchasing power. Living and working space is even cheaper in Zurich and Geneva than in Paris or London

### Switzerland as non-EU member



The non-EU membership is not seen as a disadvantage

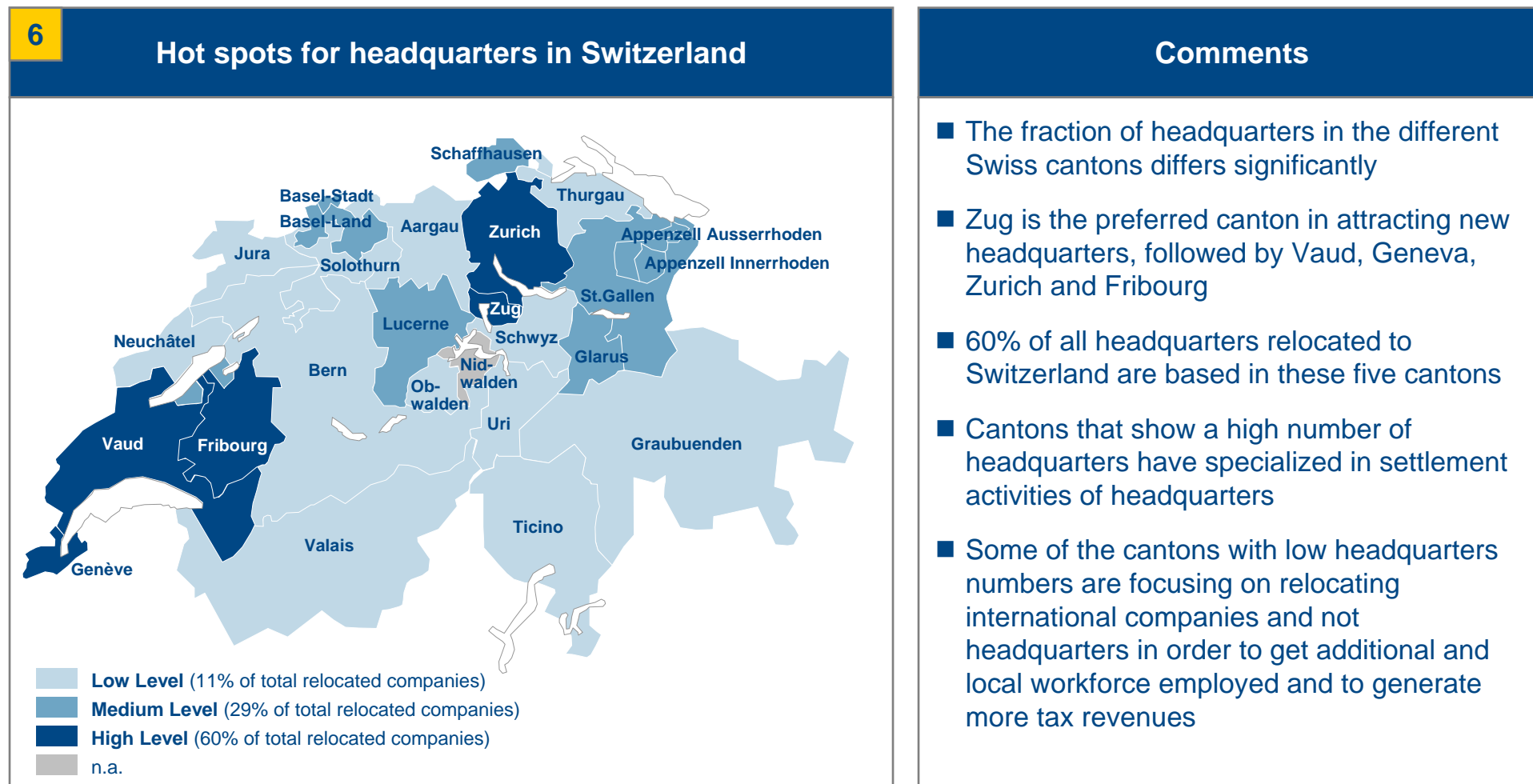
### Three Swiss cities rank among the top ten worldwide in terms of quality of life. The quality of health care and education in particular is first-class

5	Quality of life
	<ul style="list-style-type: none"> <li>Switzerland's public education system has a very high standard. Primary education is ranked 4<sup>th</sup> worldwide and higher education 6<sup>th</sup>. There are over 40 international schools providing French, British and US curricula to foreigners</li> <li>World renowned universities and management schools like ETH, HSG and IMD attract bright young minds and offer internationally accredited executive courses and research possibilities. Quality of management schools is ranked 1<sup>st</sup> worldwide</li> <li>Switzerland's health care system ranks among the best in the world due to universal health insurance coverage, a relatively low patient per doctor ratio and high federal expenditures on health (3.5% above OECD average)</li> <li>In terms of leisure, Switzerland offers the greatest variety of activities and boasts the best leisure infrastructure in Europe</li> </ul>

Best cities (quality of life) in the world			
Rank	City	Country	Index
1	Vienna	Austria	108.6
2	Zurich	Switzerland	108.0
3	Geneva	Switzerland	107.9
4	Vancouver	Canada	107.4
5	Auckland	New Zealand	107.4
6	Dusseldorf	Germany	107.2
7	Munich	Germany	106.8
8	Frankfurt	Germany	106.5
9	Bern	Switzerland	106.3
10	Sydney	Australia	106.2

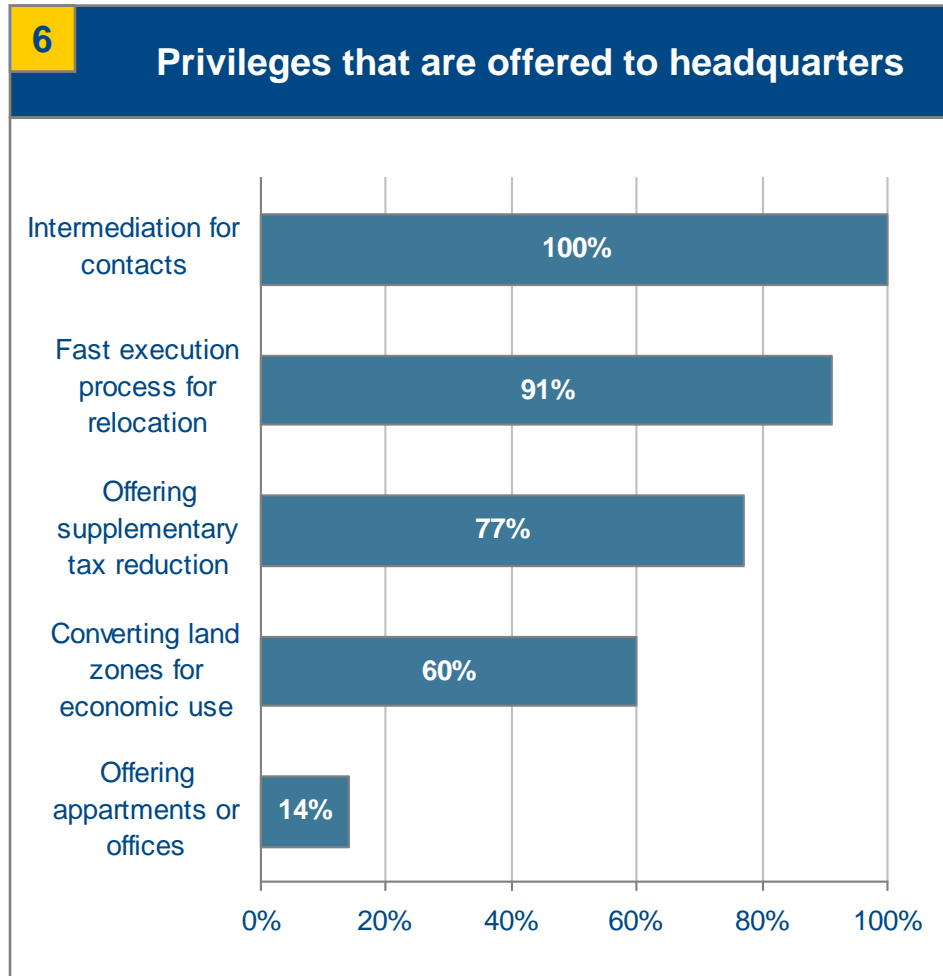
Source: Mercer Quality of Living 2009 Survey; IMD World Competitiveness Report (2007); WEF, The Global Competitiveness Report 2009-2010

Swiss cantons are very competitive in attracting foreign companies to their administration area. But only a few cantons focus their activities on headquarters relocations



Source: Arthur D. Little headquarters database

### Each of the 26 Swiss cantons has its own cantonal economic development office and supports relocation candidates with tailored measures and privileges



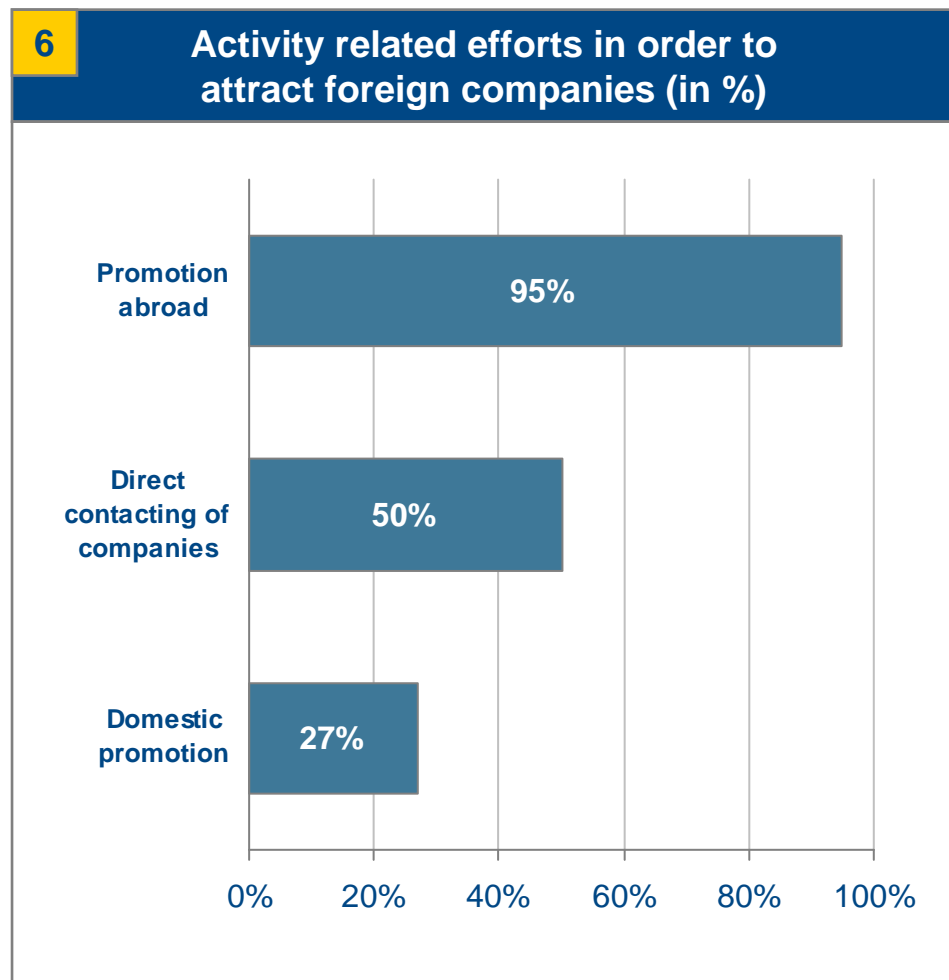
### Support from cantonal authorities

- All cantons act as intermediaries. The cantons can offer a vast **network of contacts** for headquarters relocations. This is often seen as the core competency of the canton's relocation support
- **Time** is an important factor during the relocation process. That is why cantons try to guarantee a certain timeframe to pass all necessary approvals
- More than three quarters of all cantons offer **supplementary tax reductions**. In certain circumstances, even tax holidays are offered to headquarters relocation candidates
  - Tax reductions can depend on the amount of created jobs and on the volume of planned investments
- 60% of the cantons offer the possibility to **convert land zones for economic use**

**The offering of privileges for relocation candidates is often tailored to suit the needs of the planned headquarters. Privileges have to be negotiated**

Source: Arthur D. Little survey with cantonal economic development offices

### Cantons promote their administration area actively with international marketing activities



### Comments from the cantonal side

- The promotion outside of Switzerland is the most used approach
- Some cantons also collaborate in their marketing efforts in order to build a high profile
- Some cantons use domestic promotion as an instrument but rarely to compete with other cantons
  - Usually cantons get contacted by the company that is considering a relocation
  - Domestic activities are focusing on the retention of present companies
- Companies outside Switzerland are contacted by the cantons directly
- Together with the Chambers of Commerce, cantons invite companies to events

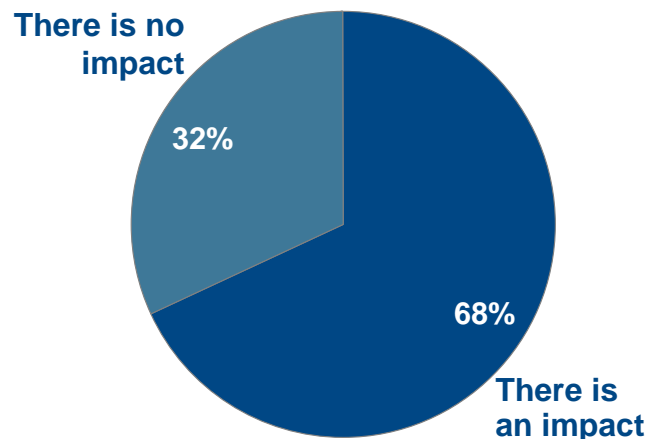
**Each canton has its own specialization in order to attract foreign companies. The variety of activities is very high. Examples are collaboration with other cantons and continuous improvement of basic conditions**

Source: Arthur D. Little survey with cantonal economic development offices



The current crisis has an overall negative impact on relocation activities. Cantons are focusing their activities in order to react to the situation

### 6 The impact of the current global economic crisis on relocation activities



### Comments

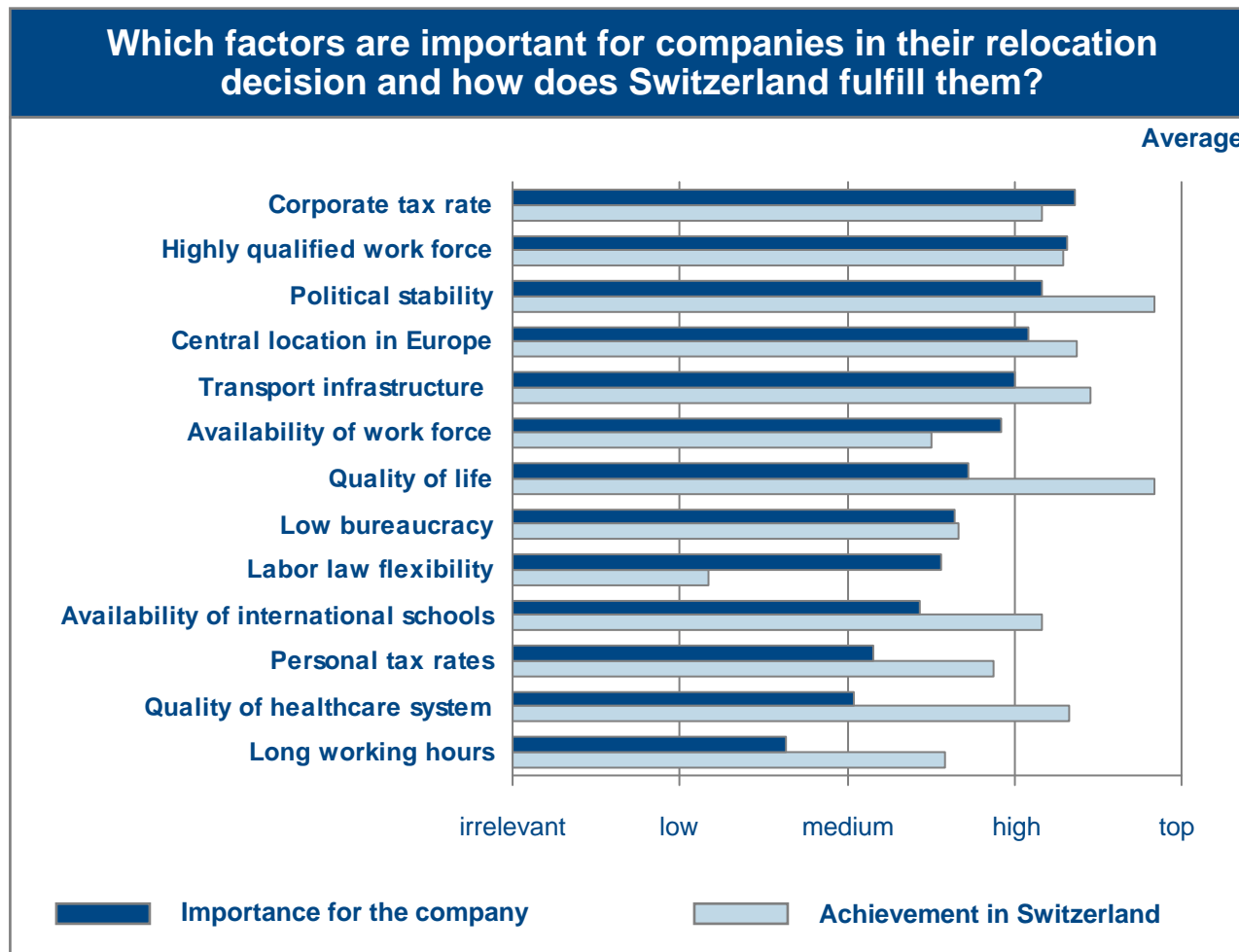
- **The impact on headquarters relocation activities**
  - Relocation processes and decisions are slowed down, postponed or currently on hold
  - Less activity is perceived
- **Most cantons, especially bigger ones, changed their relocation activities due to the actual economic crisis**
  - Less relocation activities allow stronger focus on current projects
  - Since existing headquarters are the best promotion, clear importance is attached to the already present headquarters
  - Whereas some cantons reduce their marketing activities in target countries, others expand their actions increasingly to Asian countries
- **The international political environment has an impact**
  - The political tensions between the Swiss government and other OECD countries regarding the Swiss tax system especially has an impact on German and US companies when considering Switzerland as the new headquarters location
  - Therefore, cantons increasingly try to focus on other advantages besides corporate tax rates

Due to the current global economic crisis relocation activities have slowed down since last year. Cantonal economic development offices are therefore focusing their activities on retention of headquarters

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## 2.3 How well does Switzerland perform – Decisive Factors for Relocations

Despite Switzerland's attractiveness for global corporations to locate their headquarters in Switzerland, there is still room for improvement regarding a few criteria



- Improvement potential**
- Although Swiss corporate tax rates are already at a low level, a further reduction of corporate and personal tax rates (especially in some urban areas) is expected
  - Labor law flexibility is still seen as one of the main weak factors, especially for US companies
  - Availability of work force needs to be improved
  - The availability of external child care is generally seen as insufficient
  - Housing prices are very high and availability is short

Source: Arthur D. Little headquarters survey

### The business location Switzerland remains as attractive as ever and gains in the fields of infrastructure, ease of relocation and innovation

#### Companies' satisfaction about Switzerland

How has the location Switzerland changed in the last 3 years?

##### Positive

- Significant improvement of Geneva Airport has ameliorated access to international connections
- An easing of regulations regarding residence and working permits for foreigners has facilitated relocation and has led to an influx especially of German professionals
- Increased endorsement of technology and innovation

##### Negative

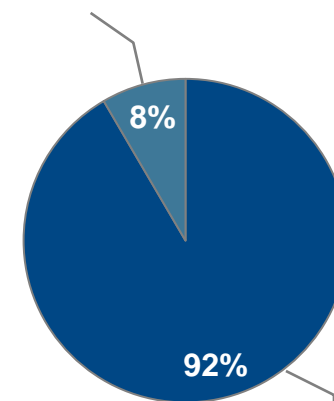
- The political environment has become more polarized, however it is still very stable and business-friendly
- Switzerland's image abroad has deteriorated slightly (e.g. bank secrecy, tax tensions with OECD)

What would make your company leave Switzerland?

- A deterioration in the tax and legal environment would be a strong reason to leave, particularly if there are more attractive conditions elsewhere
- Restrictive regulations and a high level of bureaucracy would be further incentives to change the HQ location
- A cancellation of bilateral agreements could impact negatively on business and induce a relocation

#### Relocation out of Switzerland

Plan to leave Switzerland



Plan to stay in Switzerland

**92% of the surveyed companies stated that they were not considering the relocation of certain functions presently located in Switzerland to another country**

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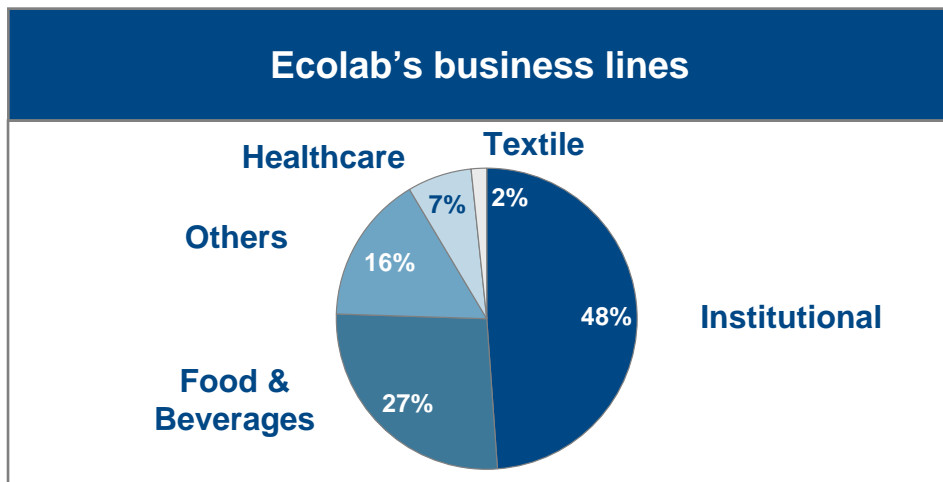
2.2 Why relocating the Headquarters to Switzerland?

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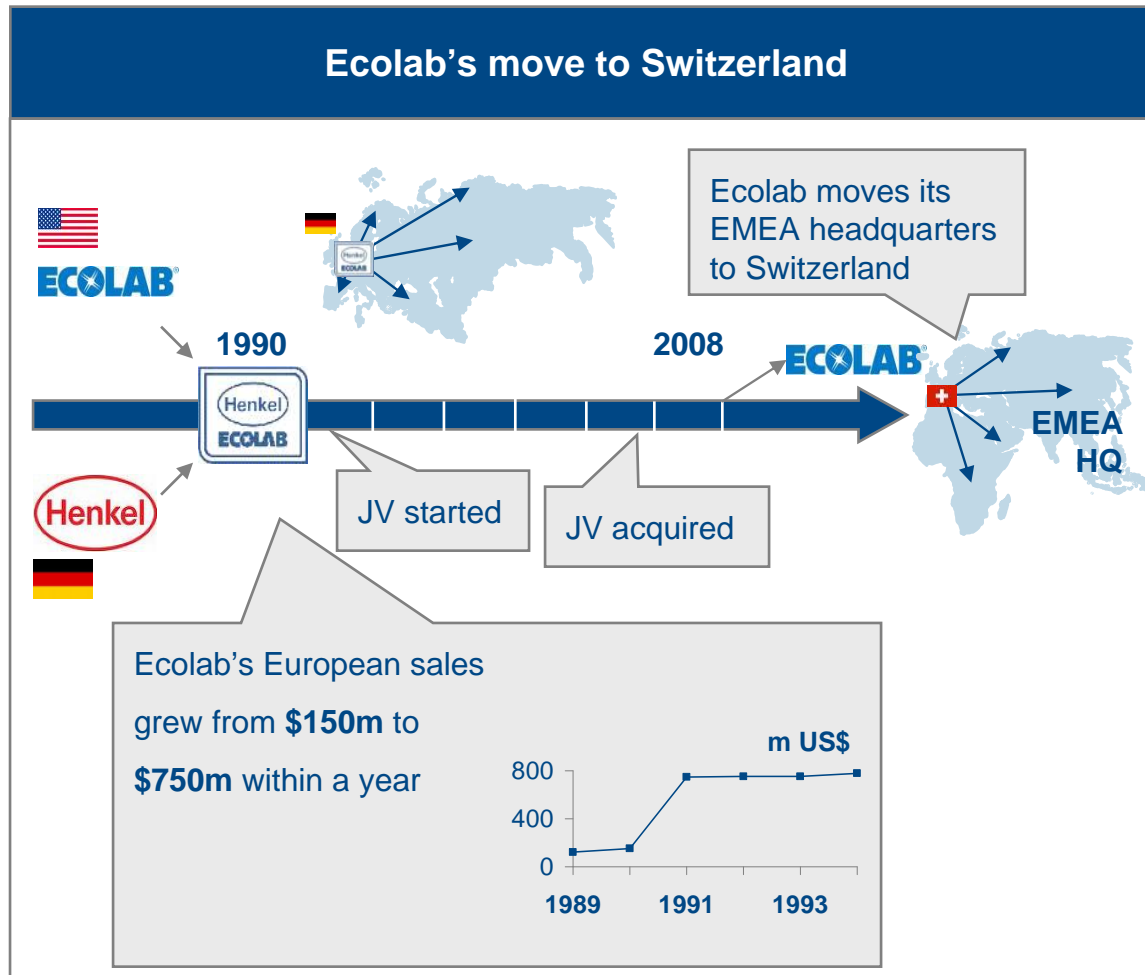
In 1991, the US based company Ecolab wanted to strengthen its market position in Europe by establishing a joint venture (JV) with Henkel



- ### Comments
- Ecolab was founded in 1923 and is headquartered in St. Paul, Minnesota (USA)
  - With sales of \$6 billion, Ecolab is the global leader in cleaning, sanitizing, food safety, infection prevention products and services
  - Ecolab serves customers in more than 160 countries across North America, Europe, Asia Pacific, Latin America, Middle East and Africa and employs more than 26,000 associates
  - Ecolab started a joint venture with Henkel in 1991
  - Henkel-Ecolab established an EMEA headquarters in Düsseldorf and extended its business to 24 European locations
  - In 2001, Ecolab acquired complete control of the joint venture. Ecolab Europe then represented approximately 1/3 of Ecolab's global sales

Source: Arthur D. Little analysis; Interview with Ecolab, President Europe, Middle East and Africa

In 2007, Ecolab began considering establishing an EMEA headquarters location that would centralize the strategic leadership & key functions in one location

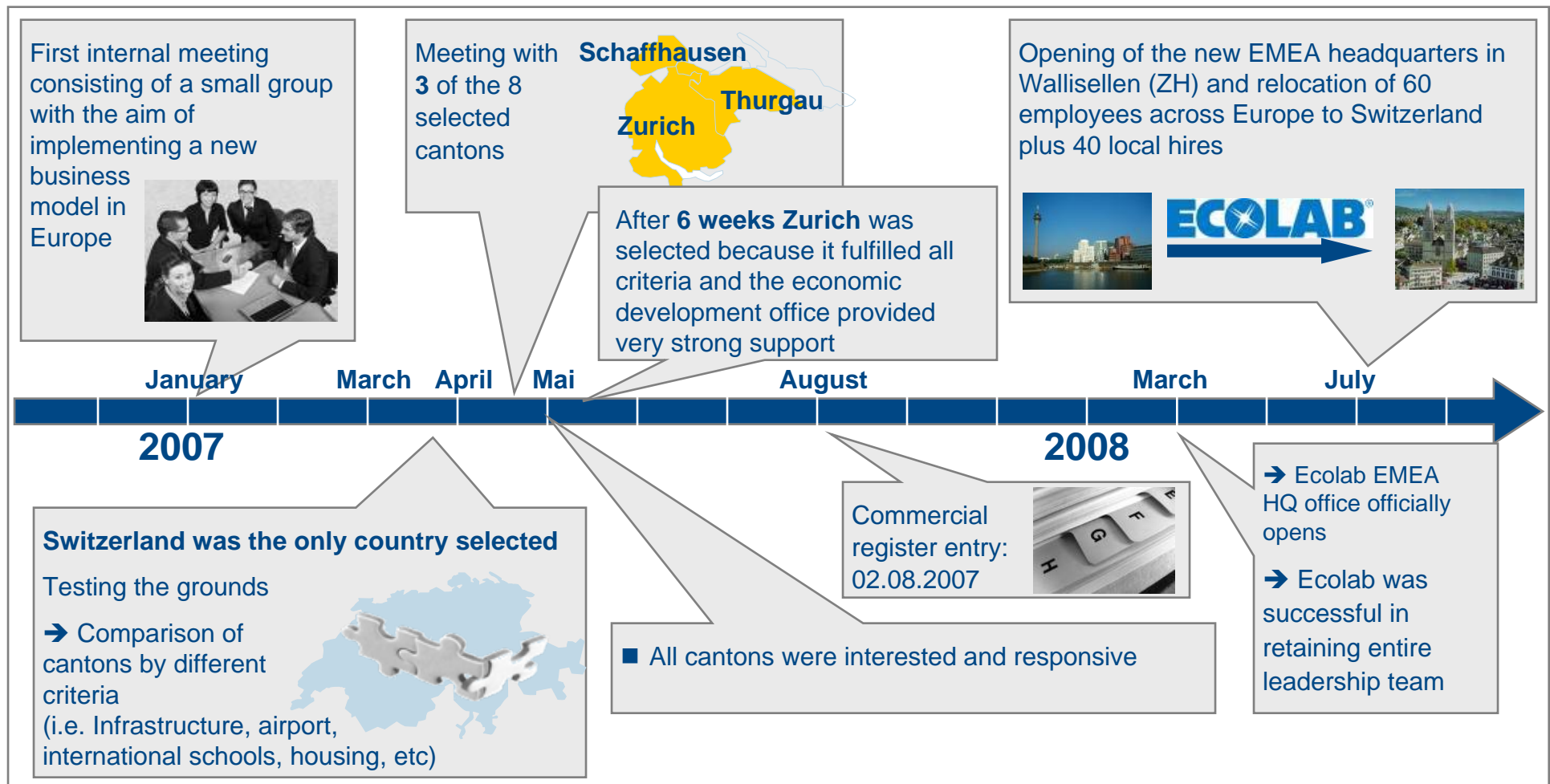


### Relocation of Ecolab's headquarters

- The US company started to re-evaluate its headquarters location out of five reasons:
  - Ability to attract & retain world class talent
  - Continue to drive strategy out of an European base
  - Centralize and standardize key processes in finance & supply chain
  - Drive pan-European leadership & decision making
  - Establish pan-European supply chain network
- From the beginning, Switzerland was selected as the preferred location. A project team started to evaluate various locations in Switzerland

Source: Arthur D. Little analysis; Interview with Ecolab, President Europe, Middle East and Africa





### The relocation process took 1.5 years from decision making to running the relocated EMEA headquarters in Wallisellen (Switzerland)



Source: Arthur D. Little analysis; Interview with Ecolab, President Europe, Middle East and Africa



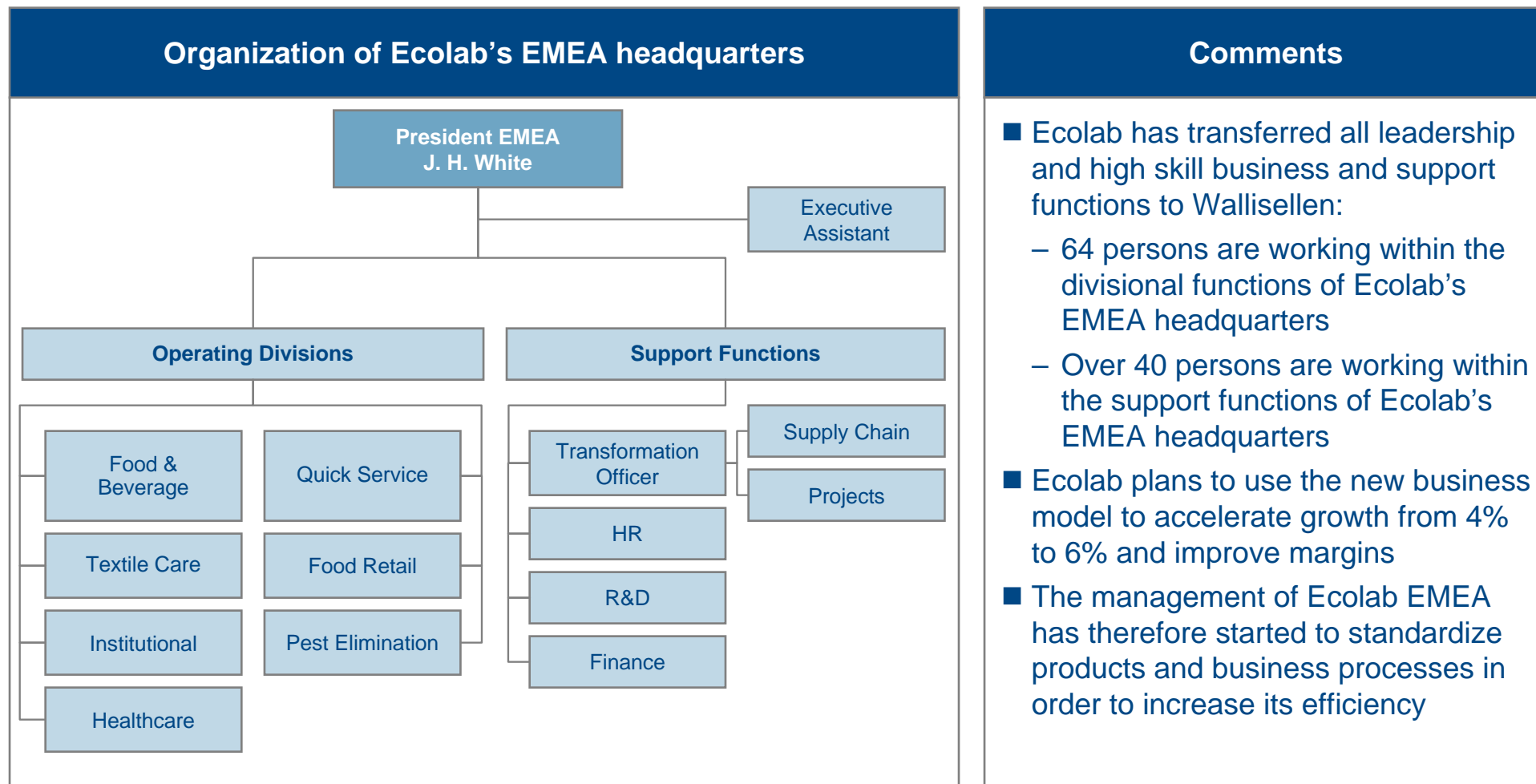
### Testing the ground and planning the movement of about 60 employees were two main challenges during the relocation procedure

	Description	Solutions / Actions
<p><b>Testing the ground</b></p> 	<ul style="list-style-type: none"> <li>■ Ecolab's headquarters relocation was a long term decision, which should endure at least for the next 20 years</li> <li>■ The whole package had to fit the defined requirements</li> </ul>	<ul style="list-style-type: none"> <li>■ The cantons were tested according to a strict set of criteria</li> <li>■ Zurich was the best fit and the economic development office made a very professional and supportive impression</li> </ul>
<p><b>Movement of about 60 employees</b></p> 	<ul style="list-style-type: none"> <li>■ Develop Swiss employment contracts for 74 employees</li> <li>■ Develop a professional and comprehensive relocation program                             <ul style="list-style-type: none"> <li>– Housing, schools, spousal support</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>■ Ecolab presented competitive offers to the employees: 80% accepted</li> <li>■ The entire leadership team supported the relocation and accepted offers</li> </ul>
<p><b>Keeping up with the time</b></p> 	<ul style="list-style-type: none"> <li>■ A lot of decisions had to be made to find the most accurate solution</li> <li>■ The faster the relocation process was accomplished the quicker the new headquarters could be operational</li> </ul>	<ul style="list-style-type: none"> <li>■ Within 6 weeks the decision process had been completed</li> <li>■ Appointed a full-time project leader reporting to President EMEA</li> <li>■ In one year the office was opened and the new business model implemented</li> </ul>
<p><b>Finding an accurate office</b></p> 	<ul style="list-style-type: none"> <li>■ The new office had to fulfill several criteria                             <ul style="list-style-type: none"> <li>– Be inviting for customers (open space, light, good atmosphere)</li> <li>– Be close to public infrastructure (train, airport, motorway)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>■ Wallisellen was chosen because of its central location</li> </ul>

Source: Arthur D. Little analysis; Interview with Ecolab, President Europe, Middle East and Africa

## 2.4 Case Study – Ecolab’s EMEA Headquarters Organization

**With the relocation to Switzerland, Ecolab plans to resume its European sales growth with a highly skilled EMEA headquarters**



Source: Arthur D. Little analysis; Interview with Ecolab, President Europe, Middle East and Africa

The availability of a highly qualified work force as well as the high quality of life in Switzerland were relevant for Ecolab’s relocation decision

### Ecolab’s top reasons for being located in Switzerland

- **Possibility to attract and retain international talent**
  - Since Switzerland is very attractive regarding the overall quality of life, it is possible not only to retain current employees but also to get the best qualified work force for additional hirings
- **Quality of life**
  - To get support from employees for the relocation process, the quality of life at the new location had to be excellent
- **Central location in Europe**
- **Competitive business environment with respect to labor law & corporate taxes**

#### Criteria Switzerland fulfills best

- **Access to highly qualified work force**
  - A wide pool of talents from all over the world
  - Large willingness of international workforce to move to Switzerland
- **Excellent airport access and infrastructure**
- **Taxes and labor law**

#### Criteria Switzerland could improve

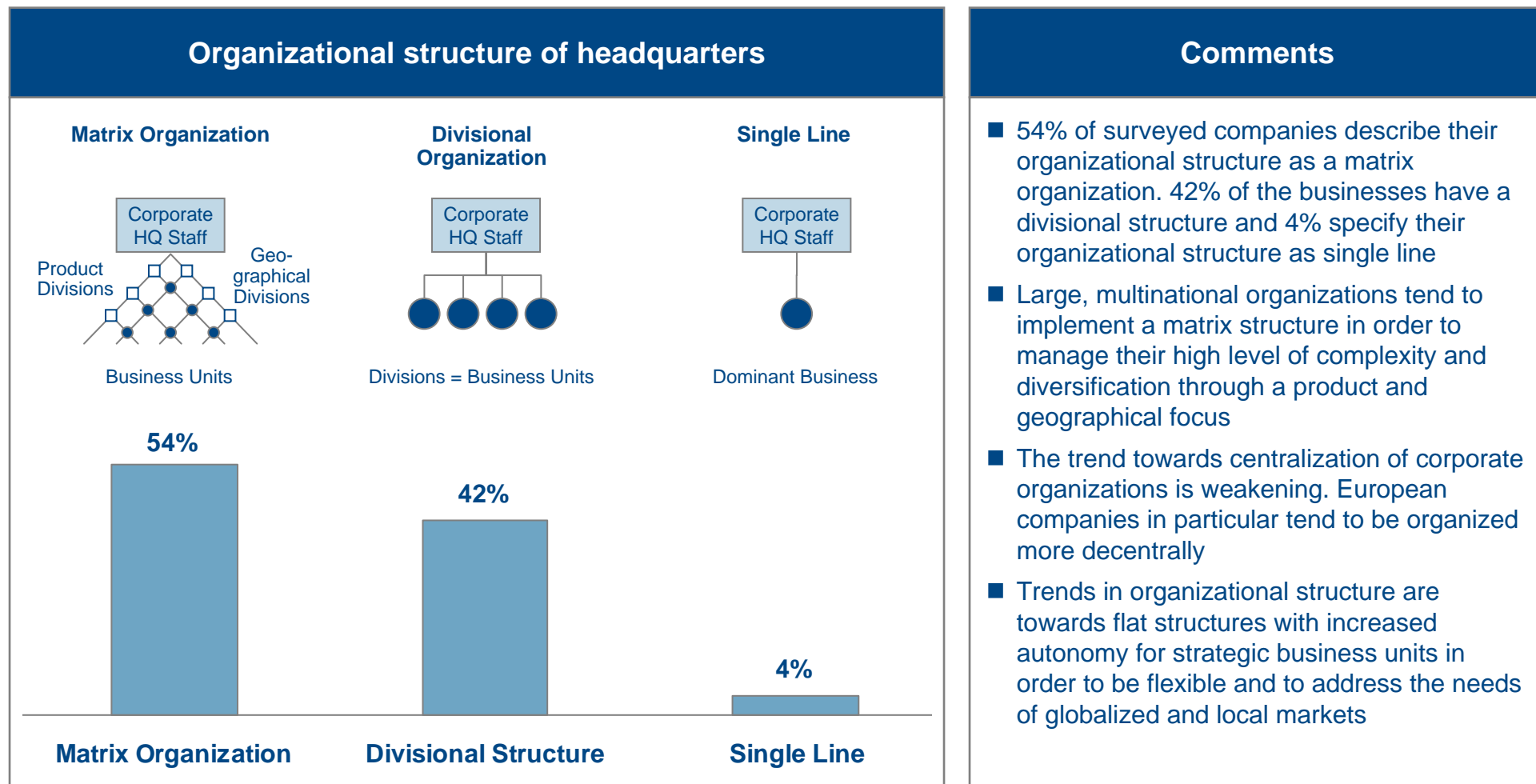
- **International schools**
  - Waiting lists of prime quality schools are long, there could be further investments in private international schools
- **Cost of living**
  - If living costs would increase to a certain level, it could become too expensive to be located in Switzerland
- **Availability of affordable accommodation**
  - There should be more accommodation available, esp. for families
  - Very high prices

Source: Arthur D. Little analysis; Interview with Ecolab, President Europe, Middle East and Africa

- 1 Introduction and Executive Summary
- 2 Switzerland as a Preferred Headquarters Location
- 3 Trends in Headquarters Design**
  - 3.1 Redesigning and Restructuring of Headquarters**
  - 3.2 Value Driven Headquarters Design

## 3.1 Redesigning and Restructuring of Headquarters – Restructuring Activities

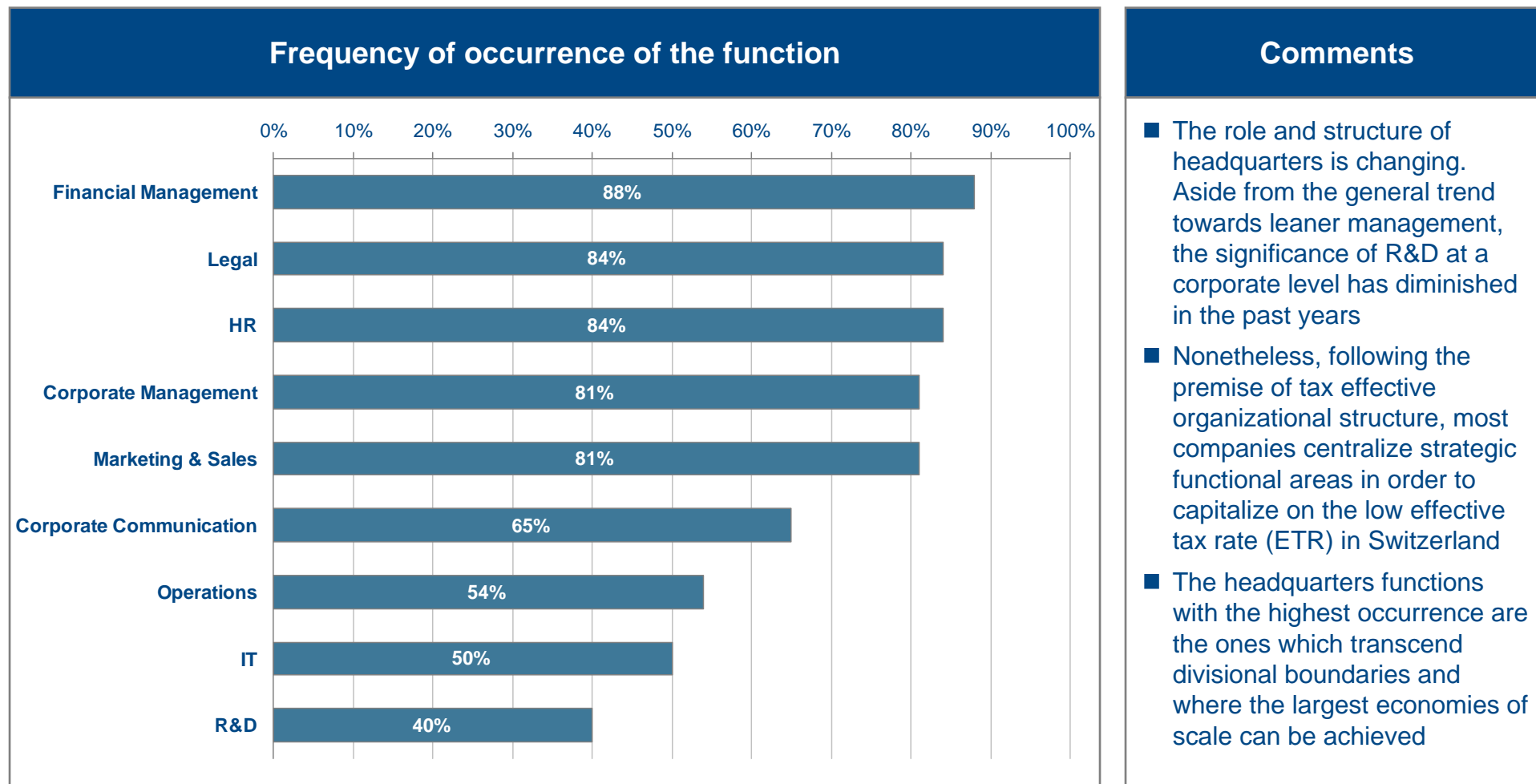
The preferred organizational structure for headquarters is a matrix organization, followed by a divisional structure



Source: Arthur D. Little headquarters survey

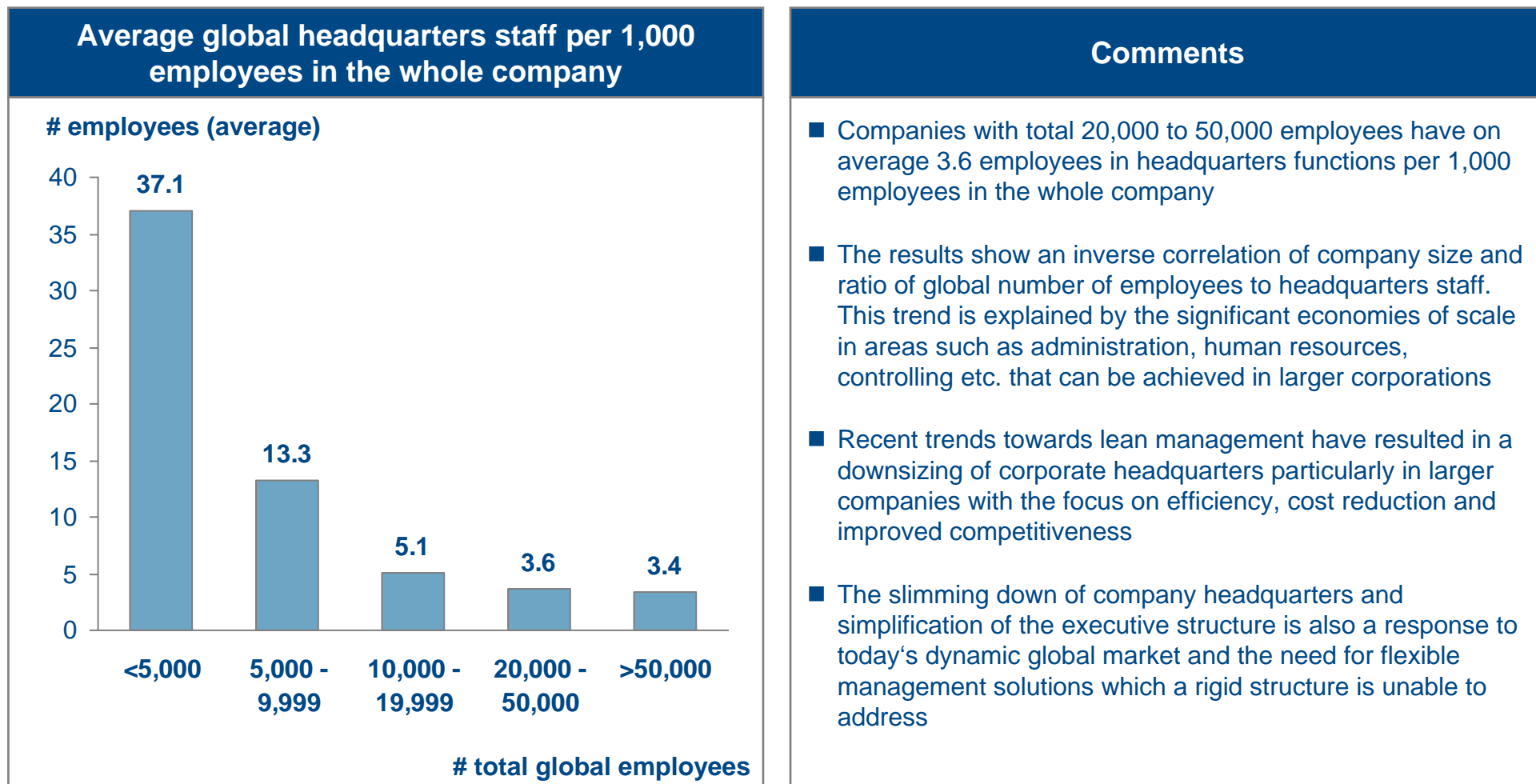
## 3.1 Redesigning and Restructuring of Headquarters – Frequency of Headquarters Functions

The functions financial management, legal, HR, corporate management and marketing & sales are mostly represented at headquarters



Source: Arthur D. Little headquarters survey

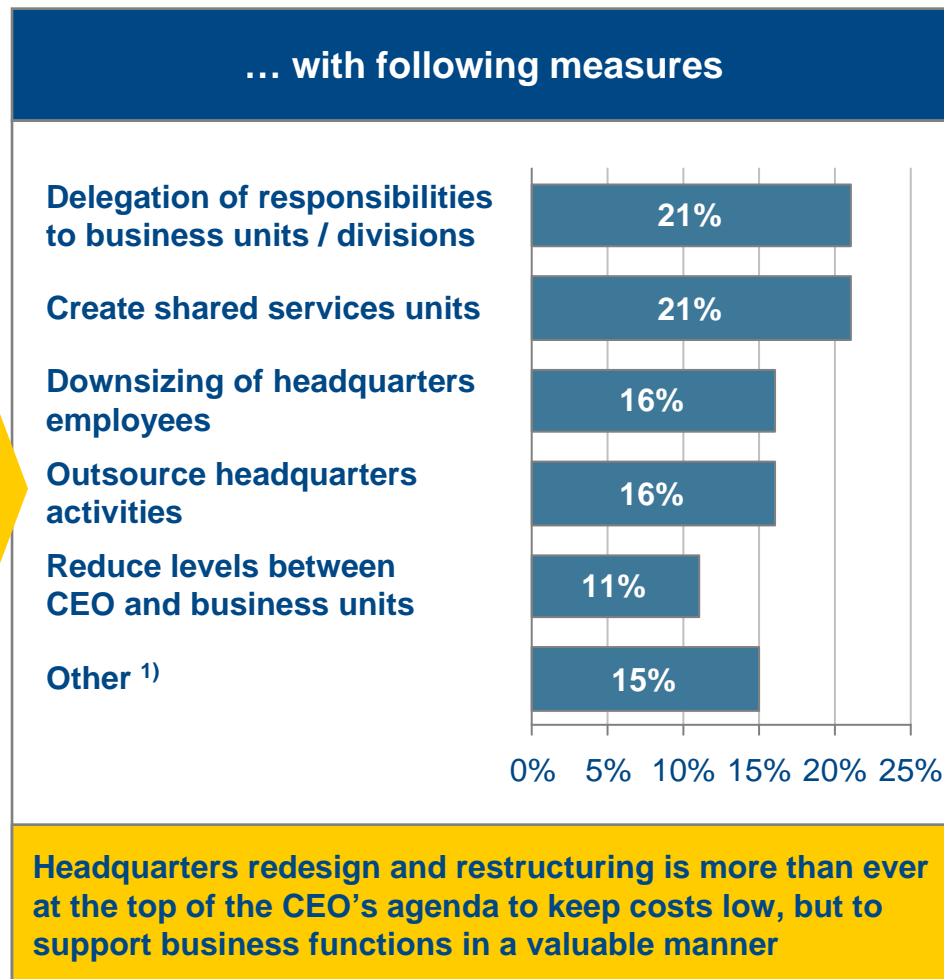
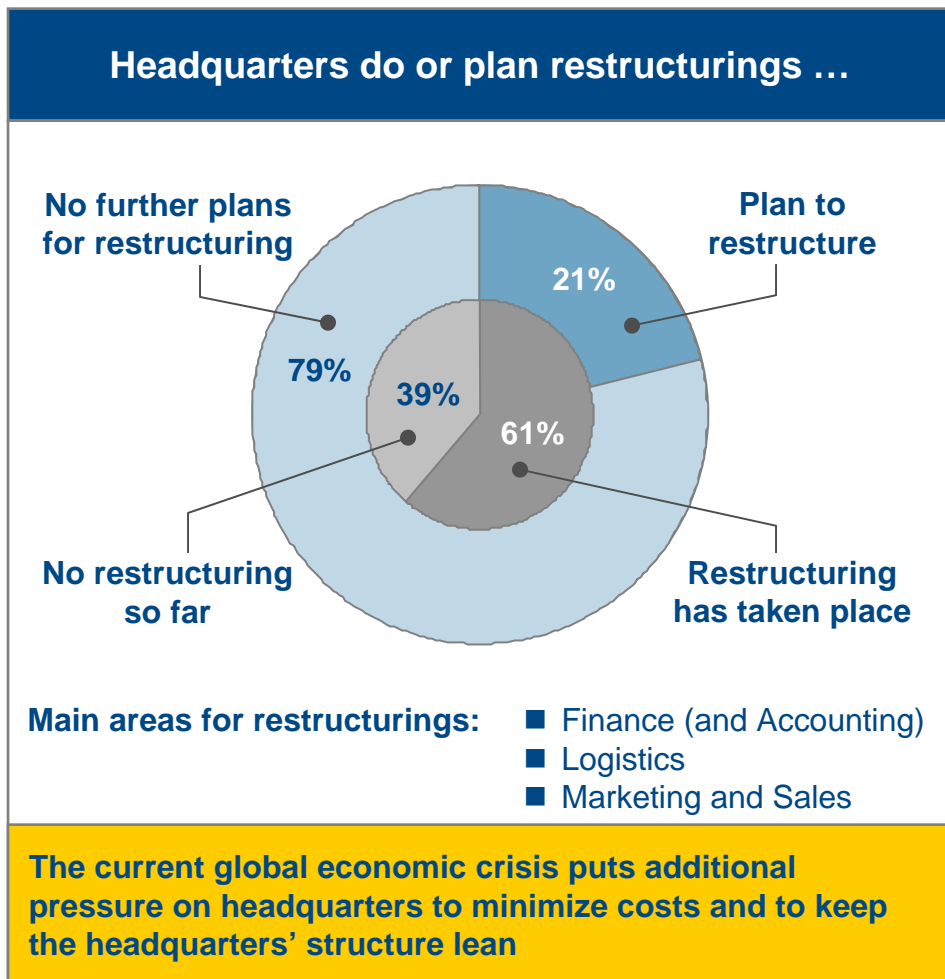
**Significant economies of scale in areas such as administration, HR and controlling allow larger corporations to operate their headquarters more efficiently**



Source: Arthur D. Little HQ database

## 3.1 Redesigning and Restructuring of Headquarters – Restructuring Activities

**61% of HQ have restructured since moving to Switzerland. Major measures used were the delegation of responsibilities to business units and the creation of shared services units**



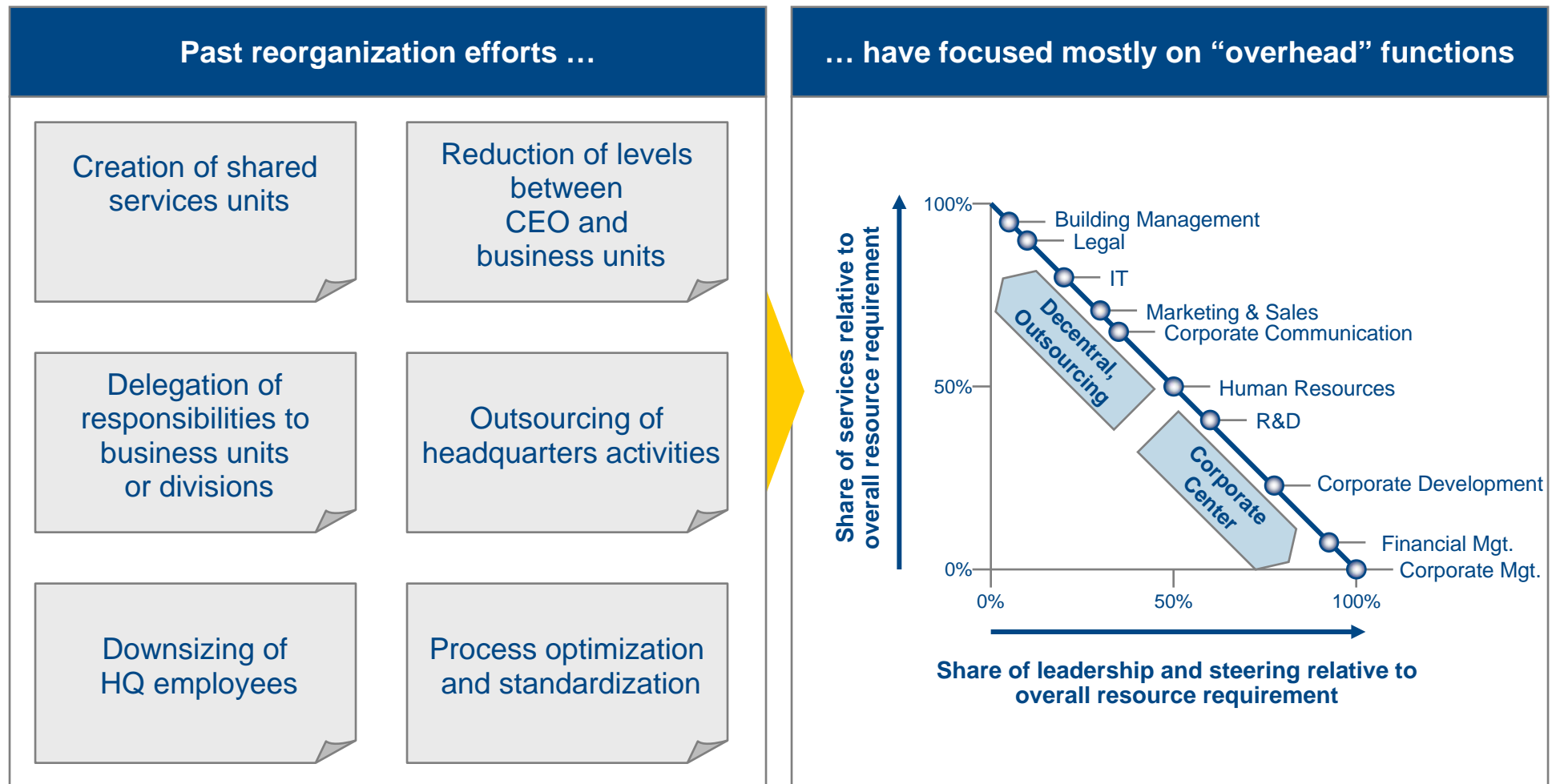
Source: Arthur D. Little Headquarters Survey

1) Other measures for headquarters redesign or restructuring are: re-engineering of processes, transformation to matrix organization, right-sizing and optimization of operations



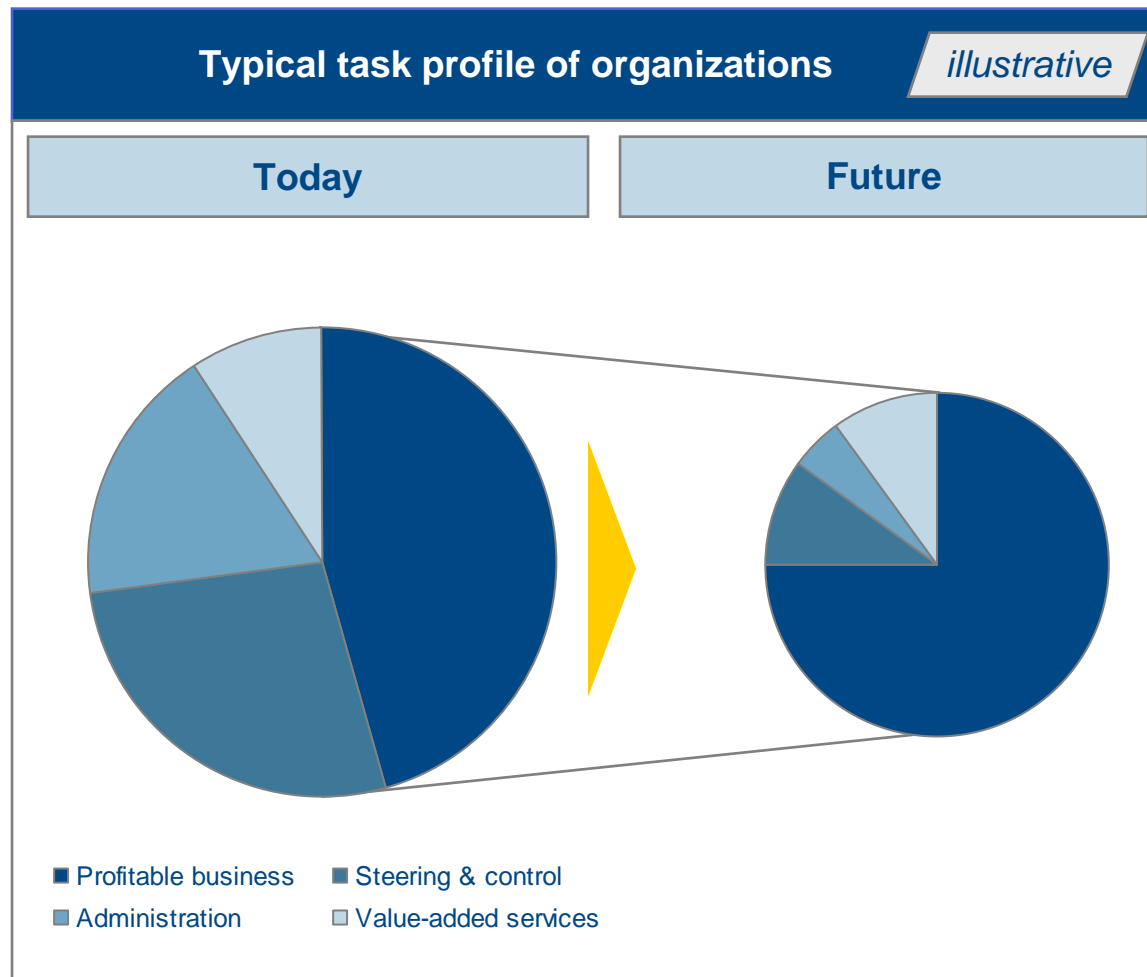
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Arthur D. Little shows that a majority of organizations has focused their organizational redesign efforts on their corporate headquarters



Source: Arthur D. Little methodology „Corporate Center Redesign“

But beyond the corporate center, the structure and general set of responsibilities for the entire organization must be re-thought

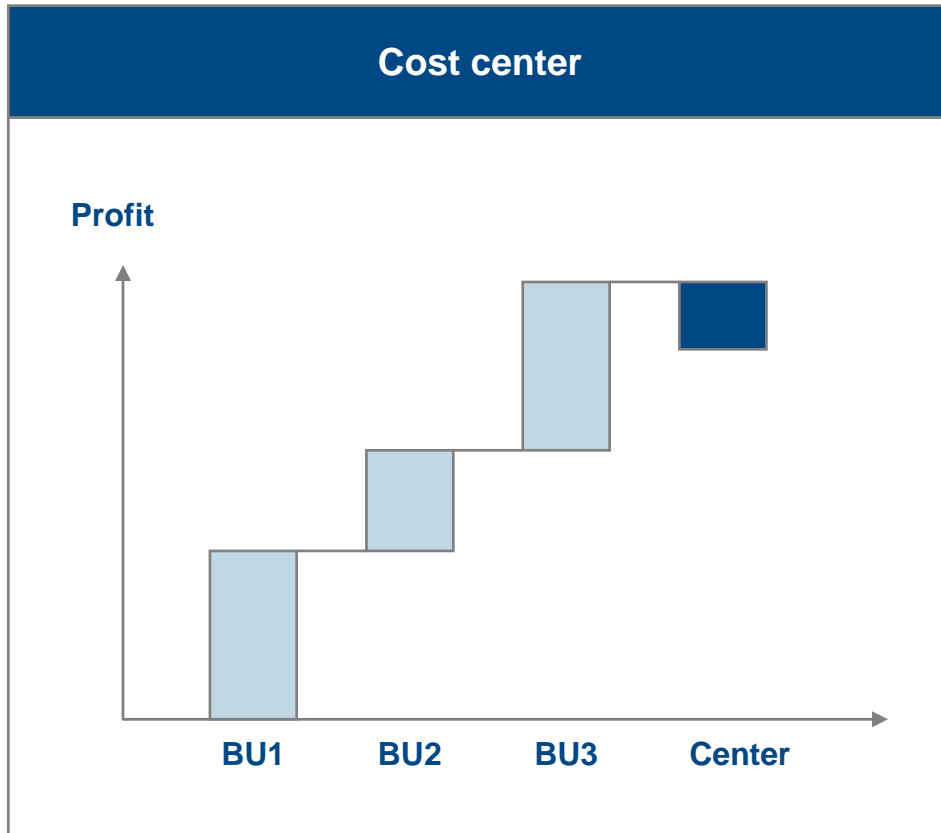


- Key questions**
- Which processes are unnecessary or too complex while not having any direct impact on business generation or value creation? How can **complexity and expenses** be reduced?
  - How can the so called **internal occupation** be reduced?
  - How can the **delegation of responsibilities** be improved?
  - Where is there more **bureaucracy** than necessary (overregulation)?
  - Are there too many **boards and task forces** and how efficiently do they work?
  - Is work done in the right **locations** and **without redundancy**?
  - Which **corporate culture** is necessary to reach the objectives? What should be preserved, what should be changed?

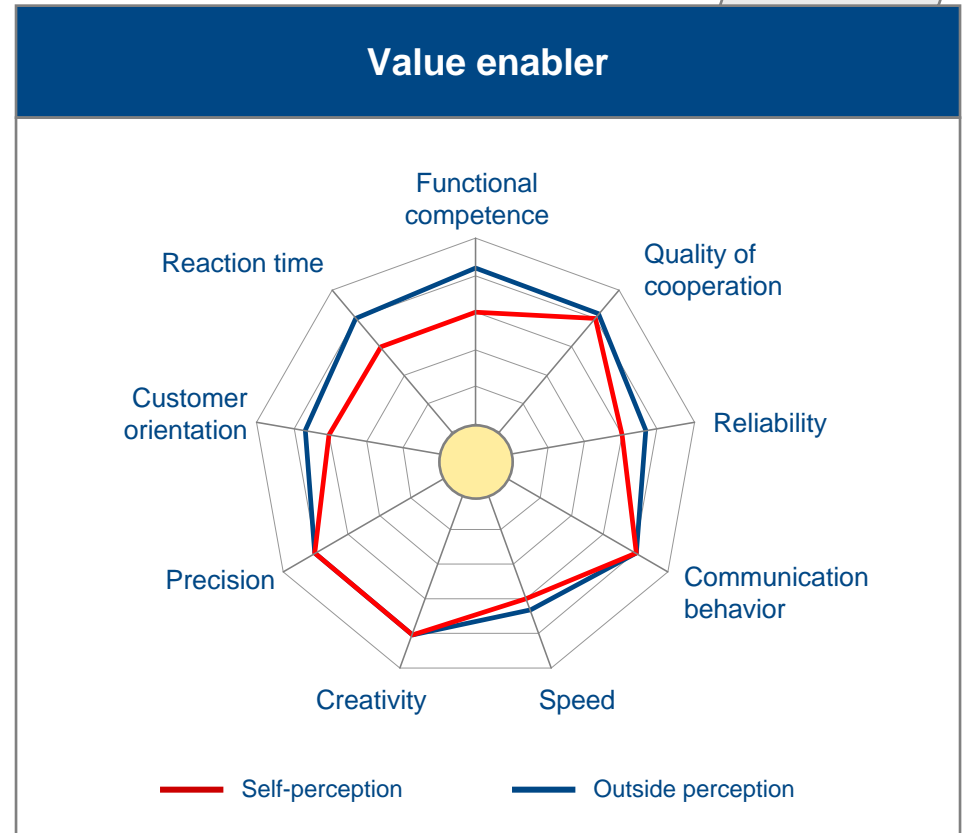
Source: Arthur D. Little methodology „Corporate Center Redesign“

## 3.2 Value Driven Headquarters Design – Away From A Pure Cost Perspective

Both, corporate center and business units must be structured and managed based on their overall value contribution – simple cost reduction targets don't do the job anymore *illustrative*



**From the suspicion of value destruction ...**

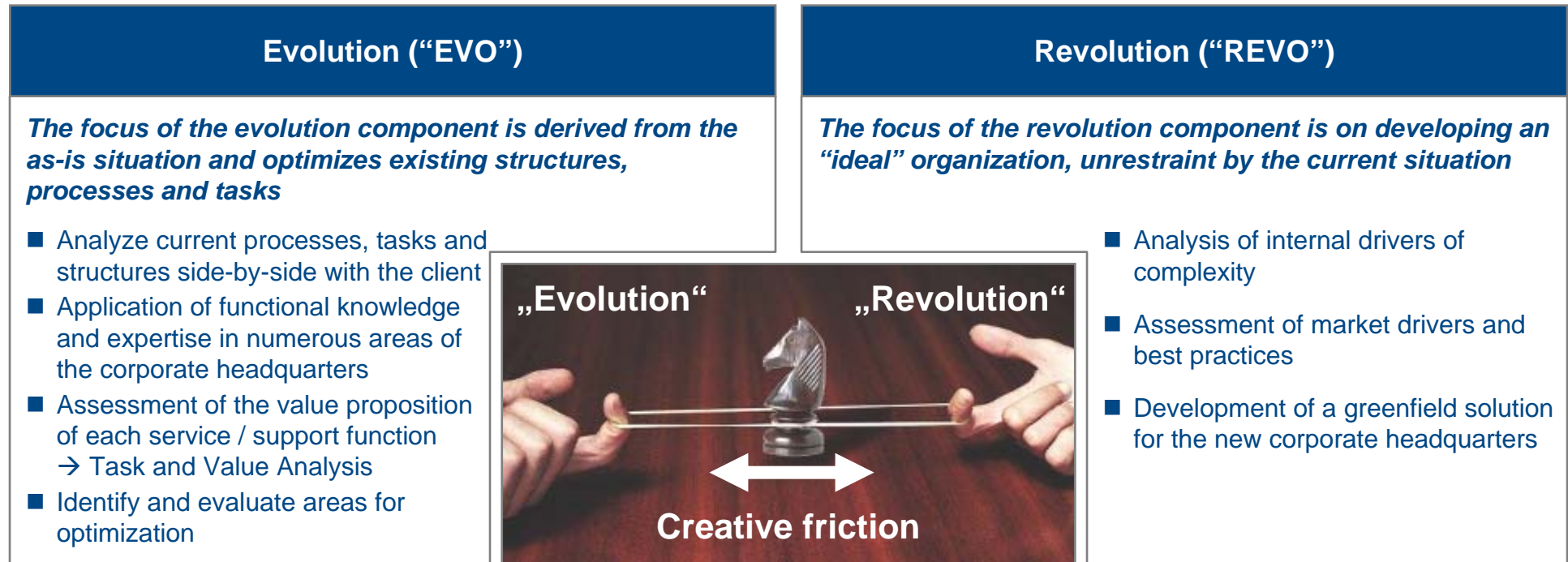


**... to enabling value creation**

Source: Arthur D. Little methodology „Corporate Center Redesign“

## 3.2 Value Driven Headquarters Design – Best Of Both Worlds

To achieve this, our innovative approach generates creative friction between incremental improvements and greenfield solutions, and deliver sustainable results



### “Best of both worlds” results

- Innovative solutions and degrees of change that are achievable and sustainable in the client’s particular context
- Generated concepts pay particular attention to the client’s culture and imply a unique change management momentum

This innovative approach actively addresses and eliminates common flaws in organizational restructuring programs

Standard mistakes in reorganization projects	Arthur D. Little approach
<p><b>Pure EVO-approach:</b> incremental optimization and disregard for the long term perspective</p>	<p>REVO-approach as a contrast program for innovative solutions</p>
<p><b>Pure REVO-approach:</b> unrealistic target setting – wave of change overwhelms the organization and fizzles out</p>	<p>Carefully conducted EVO-approach for a dependable fact basis</p>
<p><b>Reliance on benchmarking:</b> cost of benchmarking often exceeds its benefits – expected impulses for solutions fail to materialize</p>	<p>Targeted use of best practice examples for solution development</p>
<p><b>“Analysis-paralysis”:</b> boundless, highly complex analysis of ever more details, without turning to consequences</p>	<p>Directed analysis at areas with highest improvement potential</p>
<p><b>Overlooking of consequences from cost-cutting measures:</b> effects of cost-cutting on service quality are not considered</p>	<p>Potential solutions are thoroughly thought through to their ultimate consequences</p>
<p><b>Barriers of acceptance:</b> affected people are not actively included, they pose resistance</p>	<p>Active but selected employee involvement, most of all those in charge</p>

Source: Arthur D. Little methodology „Corporate Center Redesign“

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